FMBcapital HOLDINGS plc

AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2021

SUMMARY SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CONSOLIDATED		SEPARATE	
US$'000	31-Dec-21 Audited	31-Dec-20 Audited	31-Dec-21 Audited	31-Dec-20 Audited
Interest income	**126 014**	90 946	**251**	419
Interest expense	**(28 886)**	(25 197)	**(2 384)**	(1 977)
Net interest income/(expense)	**97 128**	65 749	**(2 133)**	(1 558)
Net fees and commissions	**44 862**	35 649	**–**	–
(Loss)/Income from investments	**3 892**	(571)	**8 152**	8 333
Gain/(loss) on foreign exchange transactions	**25 893**	25 991	**685**	(12)
Other operating income	**1 608**	443	**2 760**	3 103
Total non-interest income	**76 255**	61 512	**11 597**	11 424
Total operating income	**173 383**	127 261	**9 464**	9 866
Staff and training costs	**(44 428)**	(33 089)	**(1 543)**	(1 642)
Premises and equipment costs	**(14 704)**	(13 119)	**(1 345)**	(1 435)
Depreciation and amortisation	**(8 242)**	(9 794)	**(720)**	(768)
Administration and general expenses	**(29 524)**	(23 685)	**(851)**	(920)
Total expenses	**(96 898)**	(79 687)	**(4 459)**	(4 765)
Impairment loss on financial assets	**(7 058)**	(6 111)	**–**	–
Operating profit/(loss)	**69 427**	41 463	**5 005**	5 101
Net monetary loss	**(5 129)**	(3 579)	**–**	–
Impairment loss on owner occupied property	**(3 365)**	(991)	**–**	–
Impairment loss on investment in joint venture	**(16 505)**	(1 270)	**–**	–
Fair value gain/(loss) on investment property	**448**	(154)	**–**	–
Share of profit in joint venture	**14 222**	30	**–**	–
Profit/(loss) before income tax expense	**59 098**	35 499	**5 005**	5 101
Income tax expense	**(18 652)**	(14 223)	**(806)**	(802)
Profit/(loss) for the year	**40 446**	21 276	**4 199**	4 299
Other comprehensive income				
Items that will not be classified to profit or loss				
Revaluation surplus on property	**–**	2 972	**–**	–
Deferred tax on revalued property	**–**	(630)	**–**	–
Fair value loss on investment net of deferred tax	**4 041**	(763)	**–**	–
Fair value movement on FVOCI financial assets	**–**	(37)	**–**	–
	4 041	1 542	**–**	–
Items that may be reclassified subsequently to profit or loss			**–**	–
Exchange differences on translating foreign operations	**7 679**	(13 835)	**–**	–
Total other comprehensive (loss)/income for the year	**11 720**	(12 293)	**–**	–
Total comprehensive income/(loss) for the year	**52 166**	8 983	**4 199**	4 299
Profit or loss attributable to:				
Owners of the parent	**27 206**	13 314	**4 199**	4 299
Non-controlling interest	**13 240**	7 962	**–**	–
Profit/(loss) for the year	**40 446**	21 276	**4 199**	4 299
Total comprehensive income/(loss) attributable to:				
Owners of the parent	**32 831**	5 845	**4 199**	4 299
Non-controlling interest	**19 335**	3 138	**–**	–
Total comprehensive income/(loss) for the year	**52 166**	8 983	**4 199**	4 299
Basic earnings per share (US cents)	**1.107**	0.542		
Diluted earnings per share (US cents)	**1.042**	0.517		

SUMMARY STATEMENTS OF CHANGES IN EQUITY

	CONSOLIDATED		SEPARATE	
US$'000	31-Dec-21 Audited	31-Dec-20 Audited	31-Dec-21 Audited	31-Dec-20 Audited
As at the beginning of the year	**136 141**	128 010	**119 742**	115 443
Profit/(loss) for the period	**40 446**	21 276	**4 199**	4 299
Total other comprehensive income/(loss)	**11 720**	(12 293)	**–**	–
Dividends paid	**(3 933)**	–	**(3 933)**	–
Other movements	**30**	(1)	**–**	–
Other transactions with owners	**(2 772)**	(851)	**–**	–
As at the end of the year	**181 362**	136 141	**120 008**	119 742

SUMMARY STATEMENTS OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
US$'000	31-Dec-21 Audited	31-Dec-20 Audited	31-Dec-21 Audited	31-Dec-20 Audited
ASSETS				
Cash and cash equivalents	**308 714**	307 756	**9 100**	4 217
Money market investments	**280 272**	179 495	**–**	–
Loans and advances to customers	**552 811**	409 710	**–**	–
Current tax asset	**857**	770	**–**	–
Repurchase agreements	**94 159**	57 201	**–**	–
Assets held for sale	**343**	2 656	**–**	–
Investments at fair value through profit or loss	**6 615**	4 910	**–**	–
Equity instruments	**5 302**	699	**–**	–
Investments in subsidiary companies	**–**	–	**141 386**	137 666
Investment in joint venture	**11 875**	11 933	**–**	–
Other assets	**34 370**	29 804	**1 436**	5 773
Deferred tax assets	**3 899**	2 847	**–**	–
Investment property	**4 700**	4 700	**–**	–
Intangible assets	**9 817**	10 000	**2 314**	1 841
Right-of-use assets	**5 824**	7 699	**118**	112
Property and equipment	**55 798**	48 399	**617**	949
Total assets	**1 375 356**	1 078 579	**154 971**	150 558
LIABILITIES AND EQUITY				
Liabilities				
Balances due to other banks	**209 386**	80 792	**–**	–
Customer deposits	**887 233**	757 729	**–**	–
Other payables	**32 777**	40 611	**1 726**	2 091
Income tax payable	**2 564**	3 160	**–**	–
Lease liabilities	**6 341**	6 237	**138**	128
Deferred tax liabilities	**5 226**	6 877	**–**	–
Provisions	**6 503**	2 931	**–**	–
Loans payable	**17 165**	15 810	**22 312**	17 810
Subordinated debt	**16 012**	17 504	**–**	–
Convertible preference shares	**10 787**	10 787	**10 787**	10 787
Total liabilities	**1 193 994**	942 438	**34 963**	30 816
Equity				
Share capital	**117 409**	117 409	**117 409**	117 409
Restructuring reserve	**(54 511)**	(54 511)	**–**	–
Property revaluation reserve	**6 342**	6 342	**–**	–
Loan loss reserve	**2 280**	4 186	**–**	–
Non-distributable reserves	**4 010**	1 457	**–**	–
Translation reserve	**(24 170)**	(31 412)	**–**	–
Retained earnings	**65 337**	40 590	**2 599**	2 333
Total equity attributable to equity holders of the company	**116 697**	84 061	**120 008**	119 742
Non-controlling Interest	**64 665**	52 080	**–**	–
Total equity	**181 362**	136 141	**120 008**	119 742
Total equity and liabilities	**1 375 356**	1 078 579	**154 971**	150 558

SUMMARY STATEMENTS OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
US$'000	31-Dec-21 Audited	31-Dec-20 Audited	31-Dec-21 Audited	31-Dec-20 Audited
Cash generated from operating activities	**52 095**	117 061	**4 933**	4 155
Cash inflow/(outflow) applied to investing activities	**(143 905)**	35 554	**(1 100)**	(2 917)
Cash flows from financing activities	**122 472**	(60 035)	**1 050**	1 895
Net (Decrease)/Increase in cash and cash equivalents	**30 662**	92 580	**4 883**	3 133
Cash and cash equivalents at beginning of year	**307 795**	247 204	**4 217**	1 224
Effect of changes in exchange rate and hyperinflation	**(29 702)**	(31 989)	**–**	(140)
Cash and cash equivalents at end of the year*	**308 755**	307 795	**9 100**	4 217

** Exclusive of ECL provision.*

ADDITIONAL INFORMATION

Investment in subsidiary companies

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

			Holding %		US$'000	
	Nature of Business	Type of Investment	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
First Capital Bank Plc (Malawi)	Banking	Equity Shares	**100**	**100**	**88 034**	**88 034**
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	**100**	**81**	**17 670**	**17 420**
First Capital Bank (Zambia)Limited	Banking	Equity Shares	**49**	**49**	**4 634**	**4 634**
First Capital Shared Services Ltd	Shared Service	Equity Shares	**100**	**100**	**4 160**	**690**
First Capital Bank Ltd (Botswana)	Banking	Equity Shares	**38.6**	**38.6**	**3 047**	**3 047**
First Capital Bank Ltd (Botswana)	Banking	7.5% Preference Shares	**100**	**100**	**2 475**	**2 475**
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares	**80**	**80**	**21 366**	**21 366**
Total investment in subsidiary companies					**141 386**	**137 666**

In April 2021, the Group acquired 19% of Afcarme Zimbabwe for US$250,000, thereby increasing the effective holding of FCB Zimbabwe to 52.51%.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FMBcapital HOLDINGS PLC

Report of the independent auditor on the summary consolidated and separate financial statements

Opinion

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at 31 December 2021, the summary consolidated and separate statements of profit or loss and other comprehensive income, the summary consolidated and separate statements of changes in equity and the summary consolidated and separate statements of cash flows for the year then ended, are extracted from the audited financial statements of FMBcapital Holdings Plc (the "Company") 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 of the Company prepared in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Mauritius Companies Act 2001, in so far as applicable to Global Business Licence companies.

Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. 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 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 19 May 2022. That report also includes the communication of key audit matters that, in our professional judgement, were of most significance in our audit of the audited consolidated and separate financial statements of the current year.

Responsibilities of Directors for the Summary Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the summary consolidated and separate financial statements, without reference to the detailed noted, extracted from the audited consolidated and separate financial statements of the Company for the year ended 31 December 2021. The audited financial statements have been prepared in accordance with International Financial Reporting Standards and in compliance with the requirements with the Mauritius Companies Act 2001, in so far as applicable to Global Business Licence companies.

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.

Deloitte
Chartered Accountants

Vishal Agrawal, FCA
Licensed by FRC

19 May 2022

BASIS OF PREPARATION

The directors have prepared the summary financial statements in accordance with the listing requirements of the Malawi Stock Exchange. The directors have considered the listing requirements of 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 annual financial statements which were approved by the board of directors on 19 May 2022.

REVIEW OF YEAR

2021 Performance

The Group posted good performance for 2021, with profit after tax of US$40.4m compared to US$21.3m for the year ended 31 December 2020. Operating profit increased by 67% reflecting the underlying robustness of our Banking operations. Loans and advances grew by 35% with all operations contributing. This has resulted in net interest income growing 48% year on year. Fees and commissions have grown 26% due to increased volume with limited price increases.

We also benefited from improved valuations mainly from, the market value of listed investments in Malawi increasing and, property and unlisted investments valuations in Zimbabwe recovering to pre pandemic levels.

Credit losses have increased in 2021 reflecting the growth in financial assets and improvements made to the robustness of the impairment model. The quality of the loan book remains good with a credit loss ratio of 1.28% compared to 1.49% in 2020.

Earnings per share for 2021 increased by 104% to US 1.107 cents per share compared to US 0.542 cents per share for the year ended December 2020.

All our operations have performed strongly despite a challenging environment for our customers and staff alike.

Profit after tax–US$'M	31-Dec-21 Audited	31-Dec-20 Audited	Year on year growth
Botswana	**9.49**	6.03	57%
Malawi	**18.33**	10.85	69%
Mauritius – FMBCH	**(3.07)**	(4.03)	(24%)
Mauritius – FCSSL	**(0.40)**	(0.51)	(22%)
Mozambique	**1.46**	1.90	(23%)
Zambia	**4.81**	2.38	102%
Zimbabwe	**9.82**	4.66	111%
Total Group	**40.44**	21.28	90%

The Botswana business has continued its growth trajectory and continues to see robust growth in the consumer lending business and strong pipeline of customers in the corporate business. Botswana has continued it dividend distributions in line with prior years.

Operations in Malawi remain profitable and dependable despite a challenging operating environment characterised by inflation and forex shortages. Results were bolstered by improved valuations of investments and one-off transactions that are unlikely to recur in 2022. We have invested in our people and digital platforms to support our loyal customer base. Malawi continues to distribute dividends to the Group.

Our Mozambique business was impacted by non-recurring costs but has still managed to record a profit that is sustainable into the future. We are confident that the leadership changes will improve the competitiveness and resilience of the operations.

The Zambia operations continued to deliver pleasing results and registered profitable growth through investment in interest generating assets. Zambia paid a maiden interim dividend in 2021 and has announced a final dividend for 2021 payable in April 2022.

Our operations in Zimbabwe posted an inflation adjusted profit for 2021 and the country continues to face the challenge of hyperinflation. The net monetary loss arises from the purchasing power the company lost on holding excess monetary assets. Zimbabwe paid a first interim dividend in 2021 and has announced a second interim dividend for 2021 payable in April 2022.

Our centralised IT and operations in Mauritius continue to operate efficiently maintaining our cost base and improving our operational control environment.

Amid the varying disruptions to operations, the Group's businesses have successfully sustained banking operations ensuring that customers can access banking services safely whilst also protecting our staff and partners. We have made considerable progress in developing an enhanced internet banking platform to be launched across our operations in 2022.

The capital adequacy and liquidity ratios of all Group banks comfortably meet the prescribed prudential minimum ratios in their respective territories giving us capacity to selectively grow our balance sheet. We will, however, continue to exercise prudence in our balance sheet management across the territories where we operate.

Outlook

We are hopeful that the growth in our balance sheet during 2021 and the momentum all our banks are experiencing, will allow us to deliver a good performance in 2022. We have strong and stable leadership teams in place across all businesses and we are confident of our ability to continue to transform the Bank with a strong emphasis on digitisation, a journey we started over a year ago.

Final Dividend

The Directors have recommended a final dividend in respect of the year ended 31 December 2021 of US$2,458,250 (0.1 cents per ordinary share) subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for year ended 31 December 2021 do not reflect this proposed dividend. Such dividend, if approved by the Shareholders of FMBcapital Holdings PLC will be accounted for in equity as an appropriation of accumulated profits in the year ending 31 December 2022.

By order of the board

Mr. Terence Davidson – Chairman
Mr. Mahendra Gursahani – Director

19 May 2022

Convertible preference shares Group & Separate US$'000	CONSOLIDATED 31-Dec-21 Audited	CONSOLIDATED 31-Dec-20 Audited
Variable rate convertible redeemable preference shares	**10 787**	10 787

The preference shares were not redeemable on demand as at 31 December 2021.

Balances due to other banks US$'000	CONSOLIDATED 31-Dec-21 Audited	CONSOLIDATED 31-Dec-20 Audited
Borrowings from other banks	**106 312**	3 416
Currency swap liabilities	**90 078**	57 251
European Investment Bank (EIB)	**630**	1 612
FMO Line of Credit	**12 366**	18 513
	209 386	80 792
Payable as follows:		
Due within 1 year	**195 578**	72 587
Due between 2 – 5 years	**13 808**	8 205
	209 386	80 792

Subordinated debt US$'000	CONSOLIDATED 31-Dec-21 Audited	CONSOLIDATED 31-Dec-20 Audited
Notes issued by FCB Botswana	**16 012**	17 504

The subordinated debt notes constitute direct, subordinated and unsecured obligations and are repayable between 2022 and 2030. Interest ranges between 7% to 8%.

Loans Payable US$'000	CONSOLIDATED 31-Dec-21 Audited	CONSOLIDATED 31-Dec-20 Audited	SEPARATE 31-Dec-21 Audited	SEPARATE 31-Dec-20 Audited
Related parties	**6 500**	6 500	**6 500**	6 500
Other lenders	**10 511**	9 310	**10 511**	9 310
Loans from Subsidiaries	**–**	–	**5 000**	2 000
Accrued interest	**154**	–	**301**	–
	17 165	15 810	**22 312**	17 810

Related party loans are unsecured and repayable in full in 2023. Other lenders are repayable in 2023 and 2025. The company received short term funding of USD 2.5m each from FCB Botswana and FCB Zambia at 6% p.a repayable in 2022.