FMBcapital HOLDINGS plc

PROFIT AFTER TAX	CUSTOMER ADVANCES	DIVIDEND PER SHARE (US CENTS)	TOTAL OPERATING INCOME
29% ↑	10% ↑	0.64	31% ↑
COST INCOME RATIO	**CREDIT LOSS RATIO**	**RETURN ON AVERAGE EQUITY**	**TOTAL ASSETS**
49%	1.9%	38%	10% ↑

SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2023

Summary statements of comprehensive income

for the year ended 31 December

	CONSOLIDATED		SEPARATE	
	AUDITED	RESTATED[1]	AUDITED	
USD'000	2023	2022	2023	2022
Interest and similar income[1]	191 964	147 389	297	291
Interest expense and similar charges[1]	(55 429)	(38 462)	(2 385)	(2 381)
Net interest income/(expense)	136 535	108 927	(2 088)	(2 090)
Fee and commission income	54 416	38 182	–	–
Fee and commission expense	(1 959)	(1 673)	–	–
Income from investments	6 292	4 337	23 467	16 366
Net gains on foreign exchange transactions[1]	53 752	37 582	658	292
Net gains on derivative instruments[1]	2 091	2 000	–	–
Fair value loss on investment property	(1 089)	–	–	–
Other operating income	1 241	2 197	10 056	7 737
Total non-interest income	114 744	82 625	34 181	24 395
Total operating income	251 279	191 552	32 093	22 305
Staff and training costs	(56 655)	(47 750)	(5 876)	(4 399)
Premises and equipment costs	(18 331)	(14 293)	(2 703)	(1 904)
Depreciation and amortisation	(11 709)	(8 668)	(1 525)	(946)
Administration and general expenses	(36 304)	(25 583)	(1 439)	(1 406)
Total expenses	(122 999)	(96 294)	(11 543)	(8 655)
Impairment loss on financial assets	(13 288)	(4 202)	–	–
Operating profit	114 992	91 056	20 550	13 650
Net monetary loss	–	(7 662)	–	–
Impairment loss on investment in joint venture	–	(719)	–	–
Share of (loss)/profit in joint venture	(1 240)	4 424	–	–
Profit before income tax expense	113 752	87 099	20 550	13 650
Income tax expense	(35 008)	(25 904)	(2 510)	(1 692)
Profit for the year	78 744	61 195	18 040	11 958
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Revaluation surplus on property	4 514	3 351	–	–
Deferred tax on revalued property	383	592	–	–
Fair value (loss)/gain on investments	(1 573)	399	–	–
Deferred tax on fair value changes on investments	389	(58)	–	–
	3 713	4 284	–	–
Items that will be reclassified subsequently to profit or loss				
Fair value loss on FVOCI financial assets[2]	(1 325)	(194)	–	–
Exchange differences on translating foreign operations[3]	(39 509)	(35 663)	–	–
	(40 834)	(35 857)	–	–
Total other comprehensive loss for the year	(37 121)	(31 573)	–	–
Total comprehensive income for the year	41 623	29 622	18 040	11 958
Profit or loss attributable to:				
Owners of the parent	52 625	40 089	18 040	11 958
Non-controlling interest	26 119	21 106	–	–
Profit for the year	78 744	61 195	18 040	11 958
Total comprehensive income attributable to:				
Owners of the parent	23 009	17 589	18 040	11 958
Non-controlling interest	18 614	12 033	–	–
Total comprehensive income for the year	41 623	29 622	18 040	11 958
Basic earnings per share (US cents)	2.141	1.631		
Diluted earnings per share (US cents)	1.994	1.525		

[1] Prior year financial statements were restated to correct the presentation of net gains from derivative financial instruments.
[2] Prior period fair value loss on treasury bills of USD 193 994 in other comprehensive income was previously incorrectly reported under items that will not be reclassified to profit or loss and has been reclassified to items that will be subsequently reclassified to profit or loss.
[3] Comparative period incorporates effects of hyperinflation from Zimbabwe. Effective 1 January 2023, Afcarme Zimbabwe Holdings (Private) Limited and its subsidiaries changed functional currency from the Zimbabwe Dollar to the United States Dollar.

Summary statements of financial position

as at 31 December

	CONSOLIDATED		SEPARATE	
	AUDITED	RESTATED[1]	AUDITED	
USD'000	2023	2022	2023	2022
ASSETS				
Cash and balances with central banks	439 423	384 137	6 515	2 897
Money market investments[1]	220 156	210 289	–	–
Loans and advances to customers	716 389	651 726	–	–
Repurchase agreements[1]	4 980	5 038	–	–
Derivative financial assets[1]	6 209	4 391	–	–
Current tax assets	2 759	2 375	–	–
Assets held for sale	2 217	133	–	–
Investments at fair value through profit or loss	9 815	4 611	–	–
Investments at fair value through other comprehensive income	4 332	5 906	–	–
Investments in subsidiary companies	–	–	141 386	141 386
Investment in joint venture	14 340	15 580	–	–
Other assets[1]	24 862	24 589	5 906	5 441
Investment property	1 494	4 800	–	–
Intangible assets	6 808	8 251	4 037	3 923
Right-of-use assets	6 434	6 593	53	42
Property and equipment	58 866	54 021	723	786
Deferred tax assets	1 448	2 262	–	–
Total assets	1 520 532	1 384 702	158 620	154 475
LIABILITIES AND EQUITY				
Liabilities				
Balances due to other banks[1]	70 274	36 785	–	–
Customer deposits	1 096 195	1 039 070	–	–
Derivative financial liabilities[1]	4 845	3 401	–	–
Other payables[1,3]	46 286	45 073	1 030	915
Current tax liabilities	9 518	3 748	–	–
Lease liabilities	6 077	6 572	76	63
Loans payable[3]	33 835	16 921	16 342	16 890
Subordinated debt	11 821	12 447	–	–
Convertible preference shares	10 787	10 787	10 787	10 787
Provisions[2]	6 178	5 574	–	–
Deferred tax liabilities[2]	8 862	7 442	–	–
Total liabilities	1 304 678	1 187 820	28 235	28 655
Equity				
Share capital	117 409	117 409	117 409	117 409
Restructuring reserve	(54 511)	(54 511)	–	–
Property revaluation reserve	13 320	10 189	–	–
Loan loss reserve	5 084	3 097	–	–
Other reserves	6 624	4 181	–	–
Foreign currency translation reserve	(82 024)	(50 594)	–	–
Retained earnings	131 549	98 146	12 976	8 411
Total equity attributable to equity holders of the company	137 451	127 917	130 385	125 820
Non-controlling Interest	78 403	68 965	–	–
Total equity	215 854	196 882	130 385	125 820
Total equity and liabilities	1 520 532	1 384 702	158 620	154 475

[1] Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities.
[2] During 2023, the Group reassessed the order of liquidity within the statement of financial position. Provisions and deferred tax liabilities are presented below convertible preference shares on the statement of financial position as these items were assessed to be less liquid than those that precede them in the above presentation. This had no impact on the associated amounts. The reorder has also been applied to comparatives.
[3] Accrued interest on loans payable has been reclassified from other payables to loans payable. The reclassification has also been applied to comparatives.

Summary statements of changes in equity

for the year ended 31 December

	CONSOLIDATED		SEPARATE	
	AUDITED		AUDITED	
USD'000	2023	2022	2023	2022
Opening equity	196 882	181 362	125 820	120 008
Profit for the year	78 744	61 195	18 040	11 958
Total other comprehensive loss	(37 121)	(31 573)	–	–
Dividends declared and paid	(22 652)	(13 676)	(13 475)	(6 146)
Movements in other reserves	1	(426)	–	–
Closing equity	215 854	196 882	130 385	125 820

Summary statements of cash flows

for the year ended 31 December

	CONSOLIDATED		SEPARATE	
	AUDITED	RESTATED	AUDITED	
USD'000	2023	2022	2023	2022
Net cash generated from operating activities[1,2]	176 107	261 488	19 561	10 977
Net cash (used in)/generated from investing activities[1]	(126 474)	46 397	(1 569)	(2 658)
Net cash generated from/(used in) financing activities	21 304	(191 198)	(14 374)	(14 522)
Net increase/(decrease) in cash and cash equivalents	70 937	116 687	3 618	(6 203)
Cash and cash equivalents at beginning of year[2]	376 788	297 936	2 897	9 100
Effect of changes in exchange rate[2]	(55 003)	(37 835)	–	–
Cash and cash equivalents at 31 December[3]	392 722	376 788	6 515	2 897

[1] Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities.
[2] In the current period, balances held by FCB Mozambique with the Bank of Mozambique for mandatory reserving requirements have been excluded from cash and cash equivalents for the purpose of statement of cash flows. This amendment has also been applied to prior period.
[3] Consolidated cash and cash equivalents at 31 December 2023 are gross amounts excluding expected credit losses of USD 37 195 (2022: USD 14 730), cash collateral of USD 229 668 (2022 USD Nil), and restricted cash balance of USD 46 738 691 (2022: USD 7 363 868) held by First Capital Bank S.A. (Mozambique) (FCB Mozambique) with the Bank of Mozambique for mandatory reserving requirements.

Basis of preparation

The Directors have prepared the summary consolidated and separate financial statements in order to meet the listing requirements of the Malawi Stock Exchange. The Directors have considered the listing requirements and believe that the summary statements of financial position, comprehensive income and cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The accounting policies applied in the preparation of the consolidated and separate financial statements, from which the summary consolidated and separate financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated and separate financial statements. The summary consolidated and separate financial statements were extracted from the audited annual financial statements which were approved by the directors on 31 May 2024 and are available on the company website https://www.fmbcapitalgroup.com/. These summary consolidated and separate financial statements have been reviewed by our external auditors, Ernst & Young Mauritius.

Summary of changes between final audited report and preliminary unaudited report

The changes related mainly to reclassifications and presentation changes to enhance disclosures, relating to comparative results. They had no impact on the previously reported net profit after tax, earnings per share, total assets, liabilities, and equity for both the current and prior year.

Consolidated financial statements

1. Reclassification of loan payable balances of USD 7 million from balances due to banks to loans payable (2023), and of accrued interest of USD 0.25 million from other payables to loans payable (2022 and 2023).
2. Reclassification of fair value losses on financial assets of USD 1.2 million, within OCI, from items that will not be subsequently reclassified to profit or loss to items that will be subsequently reclassified to profit or loss (2023).
3. Reclassification of net gains on derivative financial instruments of USD 0.02 million reported in net interest income to non-operating income (2022).
4. Movements in mandatory reserves held with the Central Bank of Mozambique were excluded from operating activities in the 2022 statement of cashflows. Accordingly, the 2022 statement of cash flows excluded USD 7.4 million in closing balances held with the Central Bank of Mozambique for mandatory reserves.

Separate financial statements

1. Reclassification of USD 0.9 million in loan repayments out of cash flows from operating activities to cash flows from financing activities (2023).

ADDITIONAL INFORMATION

Profit after tax by country

for the year ended 31 December

	AUDITED		Year-on-Year
USD Million	2023	2022	growth
Botswana	16.78	13.66	23%
Malawi	26.30	19.34	36%
Mauritius	(8.08)	(4.24)	(91%)
Mozambique	19.18	11.05	74%
Zambia	8.86	10.01	(11%)
Zimbabwe	15.70	11.37	38%
Total	78.74	61.19	29%

Loans payable

	AUDITED	
USD'000	2023	2022
Related parties	6 500	6 500
Other lenders	9 496	10 080
Commercial paper	17 214	-
Accrued interest	625	341
	33 835	16 921

In 2017, FMBCH obtained loan facilities of USD 6.5 million from related parties for the purpose of discharging the purchase consideration for acquisition of shares in FCB Zimbabwe. 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. Related party loans are unsecured and repayable in full in 2026. These loans bear interest rate of 9% payable annually. Commercial paper was issued by FCB Mozambique in November 2023 with maturity date of May 2024 and a fixed interest rate of 15% per annum.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

Approval of consolidated and separate financial statements

The audited consolidated and separate financial statements have been approved by the Board and abridged for purposes of this report. Ernst & Young has expressed a qualified audit opinion on the consolidated and separate financial statements. The signed auditor's report is available for viewing at FMBcapital Holdings Plc's website (https://ww.fmbcapitalgroup.com/). The audited consolidated and separate financial statements are available for inspection at the Company's registered address. This abridged report is extracted from audited information and the auditor's report is on the consolidated and separate financial statements as a whole but not on the abridged financial information. The auditor's report does not necessarily cover all of the information contained in this announcement. Stakeholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should view the report together with the audited financial statements.

BUSINESS AND FINANCIAL PERFORMANCE

Economic Context and Our Performance

The Board of Directors of the FMBcapital Holdings (FMBCH) Group is pleased to present the financial results of the FMBCH Group for the year ended 31 December 2023.

In 2023, the Southern African region experienced a range of economic conditions, reflecting each country's unique challenges and opportunities. The year was marked by moderate economic growth tempered by global economic pressures, including fluctuating commodity prices and global geopolitical tensions.

As our First Capital Bank (FCB) country operations adapt to these fluctuating economic markets, we remain steadfast in our commitment to growth, captured by our ethos, 'Growth is our Business'. Our strategic initiatives are well-tuned to harness opportunities and navigate risks within our target corporate, commercial, and retail sectors. We prioritise delivering superior financial services, innovating products, and enhancing client relationships to not only meet but exceed the expectations of our diverse clientele. This focus ensures we remain at the forefront of banking industry growth, creating sustainable, profitable returns in all our operations.

Within this context, we have delivered strong growth. FCB Botswana continues to excel, achieving the local industry's highest return on equity through diversified ventures beyond the mining sector. In Malawi, FCB has navigated economic fluctuations with robust advancements in various sectors, despite significant currency devaluation. FCB Mozambique stands out with its stellar performance, capitalising on the dynamic energy and natural resources sectors. Although facing economic and regulatory hurdles, FCB Zambia has adeptly managed risks amid fiscal and liquidity challenges, maintaining steady progress. Similarly, FCB Zimbabwe has effectively managed the complexities of hyperinflation and regulatory changes, ensuring stability and strategic growth in difficult conditions. Each subsidiary's ability to adapt and thrive in these varied environments underscores our Group's resilient governance and strategic acumen.

Our Balance Sheet

Our business focus on enhancing our digital banking platforms – including internet and mobile banking – and our vibrant consumer lending services, alongside a commitment to strong relationship banking, drove significant growth across the Group. Despite a strengthening USD, deposits and other liquidity sources increased by 5% year-on-year, while loans and advances to customers rose by 10%, and money-market and other income-yielding financial instruments also grew by 5%.

Additionally, a focused effort to expand our current and savings account (CASA) market share, in turn aimed at fortifying our balance sheets, proved effective. Our CASA drive attracted over 61 000 new customers, ending the year with a total of 616 000 customers, aligning well with our target of a 10% increase in portfolio balances.

Our Profitability and Our Performance

We have actively managed the yields and costs associated with key financial assets and liabilities, achieving a remarkable 25% year-on-year increase in net interest income. This astute management maintained our net interest margin at 15% across net average advances, money market instruments, and other financial assets.

Non-funded income saw a substantial boost, primarily driven by enhanced transactional, trade, and foreign exchange treasury services, which surged by 39% to reach USD 115 million. This significant growth contributed to 46% of the Group's operating income of USD 251 million in 2023, compared to 43% of USD 192 million in the previous year.

Total operating income rose by 31% to USD 251 million, which, coupled with a 28% increase in total operating expenses to USD 123 million, resulted in a cost-income ratio of 49% (down from 50% in 2022). The cost of credit risk rose to 1.9% in 2023 from 0.7% in 2022, which is an acceptable and favourable metric relative to our industry and risk appetite.

As a result of these comprehensive, integrated efforts, the Group's post-tax consolidated profit grew by an impressive 29% year-on-year, reaching USD 78.7 million for 2023. Of this total profit, 67% is attributable to the owners of FMBCH. Consequently, earnings per share rose to 2.14 US cents, marking a 31% increase from the 1.63 US cents recorded in 2022. Further, the Group remains well-capitalised across its geographies, supported by robust capital and liquidity risk management frameworks.

Dividend

The Board of Directors has declared a final dividend for the fiscal year ended 31 December 2023 of USD 10 625 148, equivalent to 0.43 US cents per ordinary share. This dividend is scheduled for payment on or around July 8, 2024, and would leave healthy, solvent reserves post-distribution. It is important to note that this dividend is subject to there being no material changes in the final audited financial statements, as well as to final shareholder approval.

The total dividend paid from the 2023 profits as declared by the Board would amount to USD 15 787 473, corresponding to 0.64 US cents per share. This represents a 32% increase over the dividend per share of 0.49 US cents distributed from 2022 profits.

The Group is committed to maintaining a progressive dividend policy, aligned with our ongoing growth objectives, and contingent upon sustained operational performance.

By order of the board.

Terence Davidson – Chairman
Busisa Moyo – Director

31 May 2024

Where to find us

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