



First Merchant Bank Limited
Interim Results for the Six Months Ended 30 June 2008

GROUP INCOME STATEMENT			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited six months ended		Audited year ended
	30-Jun-08	30-Jun-07	31-Dec-07
Interest receivable	1,059,545	920,610	1,972,093
Interest payable	(199,814)	(242,994)	(493,978)
Net interest income	859,731	677,616	1,478,115
Income from investments	404,590	342,838	1,358,326
Other income	705,834	477,283	956,892
Total income	1,970,155	1,497,737	3,793,333
Operating expenditure	(777,878)	(580,034)	(1,398,864)
Profit before impairment provisions	1,192,277	917,703	2,394,469
Impairment provisions	(97,417)	(60,604)	(79,586)
Profit before tax	1,094,860	857,099	2,314,883
Income tax expense	(220,563)	(150,006)	(321,926)
Net profit for the period	874,297	707,093	1,992,957
Minority Interest	(21,718)	-	355
Profit attributable to shareholders	896,015	-	1,992,602
Earnings per share (tambala)	40	32	90

GROUP CASHFLOW STATEMENT			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited six months ended		Audited year ended
	30-Jun-08	30-Jun-07	31-Dec-07
Operating activities			
Interest and fees received	1,770,334	1,369,933	2,973,442
Interest paid	(202,397)	(244,499)	(498,490)
Cash paid to suppliers and employees	(506,806)	(579,268)	(1,303,037)
	1,061,131	546,166	1,171,915
Increase / (decrease) in net customer balances	(1,402,884)	1,434,622	2,537,588
Cash generated from operations	(341,753)	1,980,788	3,709,503
Income taxes paid	(195,403)	(176,548)	(316,254)
Cash flows from operating activities	(537,156)	1,804,240	3,393,249
Investing activities			
Net purchases/maturities of Money Market investments	182,120	(751,795)	(2,324,883)
Proceeds from sale of shares and other investments	276,207	-	506,007
Proceeds from sale of plant and equipment	178	1,225	1,562
Acquisition of property, plant and equipment	(129,404)	(70,175)	(228,503)
Gross dividend received	64,643	74,260	82,214
Purchase of shares in listed companies	-	(11,459)	(61,551)
Cash flows from investing activities	393,744	(757,944)	(2,025,154)
Financing activities			
Dividend paid	(178,000)	(133,500)	(467,250)
Proceeds from share issue	188,009	-	224,731
Cash flows from financing activities	10,009	(133,500)	(242,519)
Net increase / (decrease) in cash and cash equivalents	(133,403)	912,796	1,125,576
Cash and cash equivalents at beginning of period	4,748,048	3,657,421	3,657,421
Cash and cash equivalents at end of period	4,614,645	4,570,217	4,782,997

GROUP BALANCE SHEET			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited		Audited
	30-Jun-08	30-Jun-07	31-Dec-07
LIABILITIES & EQUITY			
Issued capital	111,250	111,250	111,250
Share premium	514,035	514,035	514,035
Property revaluation reserve	389,906	146,713	389,906
Investment revaluation reserve	1,277,100	915,088	1,489,897
Transilation reserve	(33,214)	-	(4,635)
Loan loss reserve	66,606	66,606	66,606
Retained earnings	2,985,398	1,680,888	2,054,586
Total Equity	5,311,081	3,434,580	4,621,645
Minority interest	386,171	-	229,721
Amounts due to depositors	14,749,693	10,162,894	13,888,493
Other liabilities	2,332,616	2,338,248	1,158,661
Total Equity and Liabilities	22,779,561	15,935,722	19,898,520
Cash and cash equivalents	4,614,645	4,570,217	4,782,997
Investments	6,691,877	3,965,457	6,685,255
Advances and Loans to Customers net of impairment losses	8,324,459	5,449,756	5,826,047
Finance leases	1,499,589	950,482	1,301,092
Other receivables	376,667	118,858	87,231
Property plant and equipment	1,272,324	880,952	1,215,898
Total assets	22,779,561	15,935,722	19,898,520

STATEMENT OF CHANGES IN EQUITY			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited		Audited
	30-Jun-08	30-Jun-07	31-Dec-07
As at the beginning of period	4,621,645	2,858,901	2,858,901
Net profit for period	896,015	707,093	1,992,602
Dividends paid	(178,000)	(133,500)	(467,250)
Revaluation surplus	-	-	242,027
Other movements	(28,579)	2,086	(4,635)
Total	5,311,081	3,434,580	4,621,645

Review of Operations

In a highly competitive market, the group achieved satisfactory growth levels with total assets and total deposits increasing by 14% and 6% respectively over the six month period. Continued focus on pursuing quality lending opportunities has resulted in a 43% increase in our loans and advances portfolio and a 15% increase in our finance lease portfolio. Profit after tax is 24% higher than the corresponding prior period and it is particularly pleasing that pre-tax core banking profits excluding income from equity investments is 34% higher than that achieved in the first half of 2007. Income from operations and fee and commission income both exceeded budget and interest margins were maintained at the level of last year. Overall profit after tax attributable to shareholders of K896 million equates to an annualised after tax return on equity of 38%.

Outlook

We anticipate that, in the second half of the year, profits from our core banking activities will remain broadly in line with that achieved to date. However, the bull run on the Malawi Stock Exchange appears to be slowing considerably and it is unlikely that the exceptional gains achieved from our equity investment portfolio in recent years will be repeated in 2008. We will continue to roll out our branch network expansion programme in 2008 through to 2009 but expect to be able to contain our current cost to income ratio below 40%.

Our Botswana subsidiary, Capital Bank Limited, is now fully operational but is not expected to make a contribution to group profits until 2009.

Dividend

The directors have declared an interim dividend of K400.5 million or 18 tambala per share payable on Friday 8 August 2008 to shareholders whose names appear in the register at the close of business on Friday 1 August 2008. The register shall be closed from Monday 4 August 2008 to Friday 8 August 2008 both days inclusive.

J. M. O'Neill
K. N. Chaturvedi
 Blantyre, 18 July 2008