



First Merchant Bank Limited

Interim Results for the Six Months Ended 30 June 2007

GROUP INCOME STATEMENT			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited six months ended		Audited year ended
	30-Jun-07	30-Jun-06	31-Dec-06
Interest receivable	920,610	733,576	1,612,812
Interest payable	(242,994)	(215,712)	(501,285)
Net interest income	677,616	517,864	1,111,527
Income from investments	342,838	229,631	596,845
Other income	477,283	354,929	769,070
Total income	1,497,737	1,102,424	2,477,442
Operating expenditure	(580,034)	(551,206)	(1,080,748)
Profit before impairment provisions	917,703	551,218	1,396,694
Impairment provisions	(60,604)	(17,181)	(31,022)
Profit before tax	857,099	534,037	1,365,672
Income tax expense	(150,006)	(101,717)	(258,333)
Net profit for the period	707,093	432,320	1,107,339
Earnings per share (tambala)	32	21	52

GROUP CASHFLOW STATEMENT			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited six months ended		Audited year ended
	30-Jun-07	30-Jun-06	31-Dec-06
Operating activities			
Interest and fees received	1,369,933	1,080,161	2,368,598
Interest paid	(244,499)	(212,258)	(499,786)
Cash paid to suppliers and employees	(579,268)	(412,161)	(703,666)
	546,166	455,742	1,165,146
Increase / (decrease) in net customer balances	1,434,622	(1,016,689)	568,718
Cash generated from operations	1,980,788	(560,947)	1,733,864
Income taxes paid	(176,548)	(126,900)	(244,886)
Cash flows from operating activities	1,804,240	(687,847)	1,488,978
Investing activities			
Net purchases/maturities of Money Market investments	(751,795)	(80,534)	(1,371,821)
(Purchase) / Proceeds from sale of shares and other investments	-	112,344	183,486
Proceeds from sale of plant and equipment	1,225	3,490	4,195
Acquisition of property, plant and equipment	(70,175)	(50,951)	(156,694)
Gross dividend received	74,260	44,840	57,595
Purchase of shares in listed companies	(11,459)	(26,920)	(27,928)
Cash flows from investing activities	(757,944)	2,269	(1,311,167)
Financing activities			
Dividend paid	(133,500)	(39,702)	(306,702)
Proceeds from share issue	-	529,205	525,285
Cash flows from financing activities	(133,500)	489,503	218,583
Net increase / (decrease) in cash and cash equivalents	912,796	(196,075)	396,394
Cash and cash equivalents at beginning of period	3,657,421	3,261,027	3,261,027
Cash and cash equivalents at end of period	4,570,217	3,064,952	3,657,421

GROUP BALANCE SHEET			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited		Audited
	30-Jun-07	30-Jun-06	31-Dec-06
LIABILITIES & EQUITY			
Liabilities to customers	10,162,894	7,270,247	9,186,041
Income tax payable	71,523	36,585	93,388
Balances due to other financial institutions	1,400,767	77,000	83,837
Provisions	16,362	14,867	44,656
Other liabilities	814,164	766,492	971,485
Deferred tax liabilities	35,432	44,062	40,109
Total liabilities	12,501,142	8,209,253	10,419,516
Total equity	3,434,580	2,447,307	2,858,901
Total equity & liabilities	15,935,722	10,656,560	13,278,417
ASSETS			
Cash and cash equivalents	4,570,217	3,064,952	3,657,421
Money market investments	2,891,393	1,594,893	2,734,689
Other receivables	118,858	89,874	102,304
Loans and advances to customers	5,449,756	4,022,791	4,326,337
Finance leases	950,482	553,467	812,780
Quoted investments	1,074,064	502,660	770,440
	15,054,770	9,828,637	12,403,971
Properties, plant and equipment	880,952	827,923	874,446
Total assets	15,935,722	10,656,560	13,278,417

STATEMENT OF CHANGES IN EQUITY			
<i>In thousands of Malawi Kwacha</i>			
	Unaudited		Audited
	30-Jun-07	30-Jun-06	31-Dec-06
As at the beginning of period	2,858,901	1,525,478	1,525,478
Net profit for period	707,093	432,320	1,107,339
Dividends paid	(133,500)	(39,702)	(306,702)
Issue of share capital	-	525,285	525,285
Other movements	2,086	3,926	7,501
Total	3,434,580	2,447,307	2,858,901

Review of Operations	
<p>The group continued to enjoy strong growth with total assets and total customer deposits increasing by 20% and 11% respectively over the six months to June 2007. Although the market for deposits remains highly competitive, net interest margins have been maintained at above the level of the prior year. Our integrated treasury department continues to generate impressive returns from foreign exchange dealing and equity investment.</p> <p>Strict attention to cost containment combined with efficiency gains achieved through technological innovation have enabled us to further reduce our cost to income ratio for the period to 39% from the 44% recorded in 2006. Overall group profit after tax of K 707 million is 64% higher than the corresponding prior year period and represents an annualized after tax return on equity of 49%.</p>	
Outlook	
<p>There is a general expectation of further interest rate cuts in response to the continued decline in the rate of inflation but although interest margins will remain under pressure, we anticipate continued real growth in both our deposits and advances portfolio. Treasury operations can be expected to continue to generate good returns for the group. Expenditure levels may increase as a result of normal annual revisions of staff remuneration, a modest increase as a result in staffing levels to cater for increased business volumes and scheduled expenditure on branch refurbishment and expansion. Overall, however, we do not anticipate a significant change in our cost to income ratio and the performance of the group in the second half of the year should be roughly in line with that achieved to date.</p> <p>Good progress has been made towards the launch of our Botswana banking subsidiary and we anticipate this company will commence business operations no later than the first quarter of 2008.</p>	
Dividends	
<p>The directors have declared an interim dividend of K333.75 million or 15 tambala per share payable on Friday 3 August 2007 to shareholders whose names appear in the register at the close of business on Friday 27 July 2007. The register shall be closed from Monday 30 July 2007 to Friday 3 August 2007, both days inclusive.</p>	
R. C. Kantaria	
K. N. Chaturvedi	
Blantyre, 11 July 2007	