

# First Merchant Bank Limited

## Interim Results for Six Months Ended 30 June 2006

### GROUP INCOME STATEMENT

*In thousands of Malawi Kwacha*

	Unaudited six months ended		Audited
	30-Jun-06	30-Jun-05	Year ended 31-Dec-05
Interest receivable	733,576	555,601	1,347,198
Interest payable	<u>(215,712)</u>	<u>(169,489)</u>	<u>(364,693)</u>
<b>Net interest income</b>	<b>517,864</b>	<b>386,112</b>	<b>982,505</b>
Other income	<u>584,560</u>	<u>420,266</u>	<u>587,706</u>
<b>Total income</b>	<b>1,102,424</b>	<b>806,378</b>	<b>1,570,211</b>
Operating expenditure	<u>551,206</u>	<u>318,928</u>	<u>750,923</u>
Profit before impairment provisions	551,218	487,450	819,288
Impairment provisions	<u>(17,181)</u>	<u>(90,897)</u>	<u>(97,138)</u>
<b>Profit before tax</b>	<b>534,037</b>	<b>396,553</b>	<b>722,150</b>
Income tax expense	<u>(101,717)</u>	<u>(57,277)</u>	<u>(111,858)</u>
<b>Net profit for the period</b>	<b><u>432,320</u></b>	<b><u>339,276</u></b>	<b><u>610,292</u></b>

### Review of Operations

The bank's initial public offering and listing on the Malawi Stock Exchange was successfully completed in June 2006 increasing the bank's capital base by in excess of K500 million.

Operating performance for the first six months of the year was satisfactory with group profit after tax of K432 million being ahead of budget and 27% up on the corresponding period last year.

Despite declining yields on treasury bills and RBM bills, net interest margins have been maintained due to strong growth in our advances portfolio. Non interest income for the half year is well above budget as a result of better than expected results from foreign exchange dealing and good returns on our equity portfolio.

Higher than budget operating expenditure is largely attributable to an acceleration of the ongoing upgrade of the bank's information technology.

### Outlook

If the rate of inflation declines as forecast, the second half of the year could see a reduction in interest rates with interest margins coming under pressure. It is also anticipated that the existing fierce competition for customer deposits will continue. Foreign exchange profits may also be affected by the continuing scarcity of foreign currency.

However, we expect to be able to deal with these challenges and maintain our profitability through until year end with the result that profit forecast should be achieved.

### GROUP BALANCE SHEET

*In thousands of Malawi Kwacha*

	Unaudited		Audited
	30-Jun-06	30-Jun-05	31-Dec-05
<b>LIABILITIES</b>			
Total Liabilities to customers	7,270,247	6,887,249	6,822,335
Income tax payable	36,585	62,018	83,489
Balances due to other financial institutions	77,000	200,000	128,000
Other liabilities	781,359	375,927	29,351
Deferred tax liabilities	<u>44,062</u>	<u>95,266</u>	<u>44,062</u>
<b>Total liabilities</b>	<b><u>8,209,253</u></b>	<b><u>7,620,460</u></b>	<b><u>7,507,237</u></b>
<b>Ordinary shareholder's funds</b>	<b><u>2,447,301</u></b>	<b><u>1,349,518</u></b>	<b><u>1,525,478</u></b>
<b>Total equity &amp; liabilities</b>	<b><u>10,656,554</u></b>	<b><u>8,969,978</u></b>	<b><u>9,032,715</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	4,382,454	4,672,321	4,497,995
Remittances in transit	232,091	89,511	80,600
Other receivables	89,868	184,337	94,011
Loans and advances to customers	4,022,791	2,324,148	2,553,142
Finance leases	553,467	443,707	524,020
Quoted investments	<u>547,960</u>	<u>538,969</u>	<u>437,741</u>
	9,828,631	8,252,993	8,187,509
Properties, plant and equipment	<u>827,923</u>	<u>716,985</u>	<u>845,206</u>
	<b><u>10,656,554</u></b>	<b><u>8,969,978</u></b>	<b><u>9,032,715</u></b>

### Dividend

The directors have declared an interim dividend of K267 million or 12 tambala per share payable on Friday 4 August 2006 to shareholders whose names appear in the register at the close of business on Friday 28 July 2006.

The register shall be closed from Monday 31 July 2006 to Friday 4 August 2006 both days inclusive.

**R. C. Kantaria, Chairman**  
**K. N. Charturvedi, Managing Director**  
**Blantyre, 11 July 2006**

**GROUP CASHFLOW STATEMENT**

*In thousands of Malawi Kwacha*

	Unaudited six months		Audited
	ended		Year ended
	30-Jun-06	30-Jun-05	31-Dec-05
<b>Operating activities</b>			
Interest and fees received	1,080,161	752,125	1,636,096
Interest paid	(212,258)	(165,548)	(368,883)
Cash paid to suppliers and employees	<u>(412,161)</u>	<u>(236,534)</u>	<u>(637,344)</u>
	455,742	350,043	629,869
Increase in net customer balances	<u>(1,023,493)</u>	<u>(75,682)</u>	<u>(329,873)</u>
Cash generated from operations	(567,751)	274,361	299,996
Income taxes paid	<u>(126,900)</u>	<u>(63,318)</u>	<u>(148,866)</u>
<b>Cash flows from operating activities</b>	<b><u>(694,651)</u></b>	<b><u>211,043</u></b>	<b><u>151,130</u></b>
<b>Investing activities</b>			
Proceeds from sale of shares and other investments	112,344	-	162,776
Proceeds from sale of plant and equipment	3,490	15	3,301
Acquisition of property, plant and equipment	(50,951)	(93,632)	(204,096)
Gross dividend received	44,840	-	36,311
Purchase of shares	<u>(26,920)</u>	<u>-</u>	<u>(21,992)</u>
<b>Cash flows from investing activities</b>	<b><u>82,803</u></b>	<b><u>(93,617)</u></b>	<b><u>(23,700)</u></b>
<b>Financing activities</b>			
Dividend paid	(39,702)	(22,202)	(200,000)
Net proceeds from share issue	<u>529,205</u>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>	<b><u>489,503</u></b>	<b><u>(22,202)</u></b>	<b><u>(200,000)</u></b>
Net (decrease)/increase in cash and cash equivalents	(122,345)	95,224	(72,570)
Cash and cash equivalents at beginning of period	<u>4,504,799</u>	<u>4,577,097</u>	<u>4,570,565</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>4,382,454</u></b>	<b><u>4,672,321</u></b>	<b><u>4,497,995</u></b>