



First Merchant Bank Limited

Summary of Unaudited Consolidated Results For the 6 Months Ended 30 June 2014

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group			Company		
Unaudited		Audited	Unaudited		Audited
30-Jun-14 K mil	30-Jun-13 K mil	31-Dec-13 K mil	30-Jun-14 K mil	30-Jun-13 K mil	31-Dec-13 K mil
INCOME					
Interest Income	5 943	5 106	11 045	4 310	7 848
Interest Paid	(1 843)	(1 530)	(3 470)	(803)	(1 836)
Net interest income	4 100	3 576	7 575	3 251	3 236
Non Interest Income	5 194	4 063	8 323	4 746	8 021
Total Operating Income	9 294	7 639	15 898	7 997	14 033
Total Operating Expenditure	(4 479)	(2 641)	(6 919)	(3 441)	(5 860)
Profit Before Impairment Losses	4 815	4 998	8 979	4 556	8 173
Impairment Losses	(55)	(322)	(1 029)	(60)	(244)
Operating Profit	4 760	4 676	7 950	4 496	7 849
Share of Profit from Associate	129	96	234	-	-
Profit Before Income Tax Expense	4 889	4 772	8 184	4 496	7 849
Income Tax Expense	(1 422)	(1 214)	(2 195)	(1 263)	(1 157)
Profit for the Period	3 467	3 558	5 989	3 233	5 786
Other Comprehensive Income for the Period	(174)	-	391	-	267
Total Comprehensive Income for the Period	3 293	3 558	6 380	3 233	6 053
Profit Attributable to:					
Equity Holders of the Bank	3 556	3 558	6 093	3 233	5 786
Non Controlling Interests	(89)	-	(104)	-	-
Profit for the Period	3 467	3 558	5 989	3 233	5 786

Earnings Per Share (tambala)

152 152 261

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND EQUITY

Liabilities					
Amounts due to Depositors	57 933	35 208	53 598	40 718	30 582
Other Payables	11 846	5 020	7 402	8 894	4 943
Subordinated Debt	3 977	3 326	4 336	3 977	3 326
Total Liabilities	73 756	43 554	65 336	53 589	38 851
Equity					
Share Capital	117	117	117	117	117
Share premium	1 565	1 565	1 565	1 565	1 565
Revaluation Reserve	1 858	3 442	1 858	1 762	3 207
Loan Loss reserve	298	320	298	246	206
Other non Distributable Reserves	350	350	350	-	-
Translation Reserve	(161)	-	(39)	-	-
Retained earnings	15 850	9 637	12 995	14 111	8 505
Equity Attributable to the Parent	19 877	15 431	17 144	17 801	13 600
Non Controlling Interest	327	-	468	-	-
Total Equity	20 204	15 431	17 612	17 801	13 600
Total Equity and Liabilities	93 960	58 985	82 948	71 390	52 451
ASSETS					
Cash and Cash Equivalents	28 293	13 374	31 461	21 213	12 677
Money Market Investments	10 207	5 088	4 624	5 769	4 215
Equity Investments	4 780	2 964	4 549	4 780	2 964
Investment in Subsidiaries	-	-	-	2 318	76
Investment in Associate	4 824	1 164	4 695	4 297	904
Advances and Loans to Customers (net)	32 238	21 502	25 833	26 148	21 690
Finance Leases	4 657	4 954	4 337	-	-
Other Receivables	1 708	5 391	1 676	1 045	5 537
Property, Plant and Equipment	7 253	4 548	5 773	5 820	4 388
Total Assets	93 960	58 985	82 948	71 390	52 451

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As at the Beginning of the Period	17 612	12 107	12 106	15 269	10 501	10 501
Net Profit for the Period	3 467	3 558	5 989	3 233	3 333	5 786
Other Comprehensive Income	(174)	-	391	-	-	267
Comp. Income Attributable to Owners	20 905	15 665	18 486	18 502	13 834	16 534
Arising on Consolidation	-	-	411	-	-	-
Dividends Paid	(701)	(234)	(1 285)	(701)	(234)	(1 285)
Balance at the End of the Period	20 204	15 431	17 612	17 801	13 600	15 269

CONSOLIDATED STATEMENTS OF CASH FLOWS

Operating Activities

Interest and Fees Received	10 151	8 655	18 219	8 070	7 532	15 453
Interest paid	(1 865)	(1 600)	(3 435)	(981)	(818)	(1 802)
Cash Paid to Suppliers and Employees	(1 216)	(2 344)	(5 174)	(2 709)	(2 232)	(4 480)
Decrease in Customer Balances	(1 340)	(3 154)	8 251	(3 224)	(4 016)	7 923
Cash Generated From Operations	5 730	1 557	17 861	1 156	466	17 094
Dividends received from listed and subsidiary companies, net of tax	129	125	203	40	125	203
Income Taxes Paid	(977)	(987)	(2 235)	(901)	(897)	(2 087)
Cash Flows From Operating Activities	4 882	695	15 829	295	(306)	15 210
Investing Activities						
Purchases of Money Market Investments	(5 580)	(5 902)	(1 743)	(2 756)	(5 232)	(336)
Proceeds from sale of shares and other investments	-	-	28	-	-	28
Purchase of shares in associate companies	-	-	(3 393)	-	-	(3 393)
Cash acquired less consideration paid on acquisition of subsidiary companies	-	-	3 582	(50)	-	(3 309)
Acquisition of Property and Equipment	(1 769)	(473)	(1 854)	(1 317)	(470)	(1 102)
Cash Outflows Applied to Investing Activities	(7 349)	(6 375)	(3 380)	(4 123)	(5 702)	(8 112)
Financing Activities						
Proceeds from Subordinated Debt Issuance	-	3 326	4 092	-	3 326	4 092
Dividend Paid	(701)	(234)	(1 285)	(701)	(234)	(1 285)
Cash Flows from Financing Activities	(701)	3 092	2 807	(701)	3 092	2 807
Net Cash and Cash Equivalents	(3 168)	(2 588)	15 256	(4 529)	(2 916)	9 905
Cash and Cash Equivalents at 1st January	31 461	15 962	15 962	25 742	15 593	15 593
Effects of changes in exchange rates	-	-	243	-	-	243
Cash and Cash Equivalents at 30th June	28 293	13 374	31 461	21 212	12 677	25 741

IMPAIRMENT LOSSES/NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY

Industry/Sector	30-Jun-14			30-Jun-13		
	Outstanding Amount	Impairment Losses	Specific Provision	Outstanding Amount	Impairment Losses	Specific Provision
Agriculture	6 209 169	6 109	1 480	3 445 873	32 054	36 297
Manufacturing	4 557 193	16 964	5 301	5 092 977	3 056	6 633
Mining	732	644	112	40 006	27	27
Construction	3 362 722	191 968	41 233	2 973 303	28 189	43 544
Energy/Electricity/Gas /Water	77 922	-	-	41 964	3 314	3 643
Transport & Communication	2 587 857	74 076	15 557	2 705 348	20 704	25 126
Financial Services	2 187 262	285 702	94 810	2 047 413	21 510	21 510
Wholesale and Retail	6 503 263	1 100 672	439 631	4 160 741	440 700	458 597
Individual/Households	1 984 657	150 342	57 091	1 505 408	49 071	141 102
Real Estate	138 688	6 842	978	92 208	244	361
Tourism	507 222	5 591	967	552 563	5 523	5 523
Others	207 199	30 930	6 992	491 057	10 820	18 902
Total	28 323 886	1 869 840	664 152	23 148 861	615 212	761 265

CREDIT CONCENTRATIONS

Sector of Borrower	30-Jun-14	% of Core Capital	30-Jun-13	% of Core Capital
Construction	2 469 353	32%	2 863 481	43%
Transport & Communications	2 756 982	26%	1 145 566	16%

INVESTMENT IN SUBSIDIARIES/ASSOCIATES

Subsidiary/Associate	Number of Shares ('000)	Percentage Holding	30 June 2014 (MK'000)	30 June 2013 (MK'000)
Leasing and Finance Company of Malawi Limited	18 343	100.0%	65 911	65 911
Capital Bank Limited - Botswana	31 588	38.6%	903 854	895 984
Capital Bank Limited - Mozambique	1 292	70.0%	1 375 710	-
First Capital Bank Limited - Zambia	49 000	49.0%	3 393 251	-
ICB Malawi Limited	7 149	100.0%	816 943	-
FMB Capital Limited	500	100.0%	50 000	-
FMB Forex Bureau Limited	10 000	100.0%	10 000	10 000
FMB Pensions Limited	1 000	100.0%	-	-

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	30 June 2014 (MK'000)	30 June 2013 (MK'000)
Corporate Bodies Directly or Indirectly Related to Directors *:		
Balance at the Beginning of the Period	1 738 709	1 809 007
Loans granted during the half year period	194 584	856 492
Repayments	(745 410)	(926 790)
Balance at the end of the Period	1 187 883	1 738 709
Subsidiary Companies:		
Balance at the Beginning of the Period	73 963	983 938
Loans granted during the half year period	0	16 062
Repayments	(73 963)	(926 037)
Balance at the end of the Period	0	73 963
Senior Management:		
Balance at the Beginning of the Period	292 630	165 970
Loans granted during the half year period	77 936	185 880
Repayments	(250 663)	(59 220)
Balance at the end of the Period	119 903	292 630

* There were no loans to Directors in their individual capacities. All loans to bodies directly or indirectly linked to Directors were made at an arm's length commercial terms.

DIRECTOR'S REMUNERATION AND BONUSES

	30 June 2014 (MK'000)	30 June 2013 (MK'000)
Director's Remuneration	63 866	50 747
Total Bonuses Paid by licenced Institution **	198 000	165 000
Management fees	0	0

**Total Bonuses represent an amount accrued during the first half of the year

REVIEW OF OPERATIONS

The group enjoyed relatively modest balance sheet growth over the period as, across all operating territories, we elected not to compete aggressively in the higher cost and more volatile wholesale deposit market. General business confidence showed signs of improvement enabling us to increase group lending by 21%. We, however, continue to conservatively manage our balance sheet and maintain a relatively high 41% of total group assets in liquid money market investments, cash and cash equivalents.

Net interest margins remained satisfactory while non funded income lines continued to grow strongly. Cost containment remains a major challenge as we work towards harmonizing and improving group technology platforms and service delivery standards.

Overall profit attributable to shareholders for the period of K3,556 million translates to an earnings per share of 152 tambala.

OUTLOOK

Domestic market liquidity continues to improve and both inflation and interest rates are currently trending downwards. The exchange rate also remains comparatively stable against a background of an improved foreign exchange reserves position. However, a major determinant in the future direction of these key economic variables will be the, as yet unknown, extent to which government may be required to utilize domestic borrowing to finance its budgetary operation.

We anticipate that net interest margins may narrow in the short term and foreign exchange volumes may contract towards year end. Our focus over the second half of the year will be on expanding other income lines and stabilizing our cost base in order to maintain the overall profitability of the group.

DIVIDEND

The directors have declared a first interim dividend of **K1, 168,125,000** or 50 tambala per share payable on **Friday 5th September 2014** to shareholders whose names appear in the register at the close of business on **Friday 29th August 2014**. The register will be closed from **Monday, 1st September, 2014** to **Wednesday, 3rd September 2014** both days inclusive.

Dheeraj Dikshit
John M. O'Neill
Lucas M. Kondowe

Group Managing Director
Group Finance Director
General Manager – Finance, Planning & Strategy