

# Summary of unaudited consolidated and separate results for the 6 months ended 30 June 2015

## Review of Operations

The annualized rate of growth in group assets for the period was in excess of 20%, mainly attributable to deposit mobilization with a 25% annualized growth in liabilities to the public.

The prudential requirement to maintain Kwacha liquidity reserves against foreign exchange deposits negatively impacted interest margins in Malawi but the overall group net interest margin increased from 12% to 13% due to an increased proportion of lower cost current savings and accounts in our deposit base and a slight increase in our credit deposit ratio from 62% to 65%.

Gains recorded on foreign exchange transactions were considerably down on prior years due to lower spreads available in the market. This is the main reason for a 9% decline in non-interest income from K5.2 billion to K4.7 billion.

Cost containment remains a priority for the group and the annualized growth in operating expenditure was restricted to 11%. Our cost to income ratio has declined to 53% from the 56% recorded in 2014.

The overall business environment in Malawi remains difficult and we continue to closely monitor our credit portfolio making prudent impairment provisions where deemed necessary. A further MK369 million of impairment provisions were charged against income for the period.

Overall group profit after taxation of MK3,577 million and earnings per share of 154 tambala were marginally higher than the corresponding prior period.

## Outlook

The recent reduction in liquidity reserve requirement will increase the proportion of interest bearing assets on our balance sheet but, as lending rates are expected to be reduced, we do not anticipate a positive impact on our net interest margin.

Further regulatory interventions governing the operations of the foreign exchange market will depress income from foreign exchange trading.

We continue to focus on cost containment against a challenging background of currency weakness and high domestic inflation in Malawi.

Elsewhere in the group, we expect significant improvement in the performance of our subsidiary and associated banks in Mozambique and Zambia respectively.

We remain confident of a year on year improvement in overall group performance.

## Dividend

The directors have declared a first interim dividend of **K1, 168,125,000** or **50 tambala** per share payable on **Friday, 4th September 2015** to shareholders whose names appear in the register at the close of business on **Friday, 28th August 2015**. The register will be closed from **Monday, 31st August 2015** to **Wednesday, 2nd September 2015** both days inclusive.

Dheeraj Dikshit  
Group Managing Director

John M. O'Neill  
Group Finance Director

	Consolidated			Separate		
	Unaudited 30 Jun 15	Unaudited 30 Jun 14	Audited 31 Dec 14	Unaudited 30 Jun 15	Unaudited 30 Jun 14	Audited 31 Dec 14
<i>In millions of Malawi Kwacha</i>						
<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>						
<i>Income</i>						
Interest income	8,059	5,943	12,505	5,820	4,310	9,289
Interest paid	(2,363)	(1,843)	(3,837)	(1,319)	(1,059)	(2,230)
<b>Net interest income</b>	<b>5,696</b>	<b>4,100</b>	<b>8,668</b>	<b>4,501</b>	<b>3,251</b>	<b>7,059</b>
Non interest income	4,725	5,194	9,177	3,994	4,746	8,851
<b>Total operating income</b>	<b>10,421</b>	<b>9,294</b>	<b>17,845</b>	<b>8,495</b>	<b>7,997</b>	<b>15,910</b>
<i>Expenditure</i>						
Total operating expenditure	(5,513)	(4,479)	(9,941)	(4,249)	(3,441)	(7,556)
<b>Profit before impairment losses</b>	<b>4,908</b>	<b>4,815</b>	<b>7,904</b>	<b>4,246</b>	<b>4,556</b>	<b>8,354</b>
Impairment losses	(369)	(55)	(516)	(296)	(60)	(451)
<b>Operating profit</b>	<b>4,539</b>	<b>4,760</b>	<b>7,388</b>	<b>3,950</b>	<b>4,496</b>	<b>7,903</b>
Share of profit from associate	302	129	122	-	-	-
<b>Profit before income tax expense</b>	<b>4,841</b>	<b>4,889</b>	<b>7,510</b>	<b>3,950</b>	<b>4,496</b>	<b>7,903</b>
Income tax expense	(1,264)	(1,422)	(2,313)	(1,074)	(1,263)	(1,965)
<b>Profit for the period</b>	<b>3,577</b>	<b>3,467</b>	<b>5,197</b>	<b>2,876</b>	<b>3,233</b>	<b>5,938</b>
Other comprehensive income for the period	56	(174)	824	788		
<b>Total comprehensive income for the period</b>	<b>3,633</b>	<b>3,293</b>	<b>6,021</b>	<b>2,876</b>	<b>3,233</b>	<b>6,726</b>
<i>Profit attributable to:</i>						
Equity holders of the bank	3,591	3,556	5,457	2,876	3,233	5,938
Non controlling interests	(14)	(89)	(260)	-	-	-
<b>Profit for the period</b>	<b>3,577</b>	<b>3,467</b>	<b>5,197</b>	<b>2,876</b>	<b>3,233</b>	<b>5,938</b>
<i>Earnings per share (tambala)</i>	<i>154</i>	<i>152</i>	<i>234</i>			
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>						
<i>Liabilities and equity</i>						
<i>Liabilities</i>						
Amounts due to depositors	72,769	57,933	64,493	52,502	40,718	46,143
Other payables	13,065	11,846	13,213	9,184	8,894	11,338
Subordinated debt	4,410	3,977	4,644	4,410	3,977	4,644
<b>Total liabilities</b>	<b>90,244</b>	<b>73,756</b>	<b>82,350</b>	<b>66,096</b>	<b>53,589</b>	<b>62,125</b>
<i>Equity</i>						
Share capital	117	117	117	117	117	117
Share premium	1,565	1,565	1,565	1,565	1,565	1,565
Revaluation reserve	2,705	1,858	2,705	2,550	1,762	2,550
Loan loss reserve	589	298	489	445	246	445
Other non distributable reserves	350	350	350	-	-	-
Translation reserve	(16)	(161)	(55)	-	-	-
Retained earnings	18,948	15,850	16,158	17,390	14,111	15,215
<b>Equity attributable to the parent</b>	<b>24,258</b>	<b>19,877</b>	<b>21,329</b>	<b>22,067</b>	<b>17,801</b>	<b>19,892</b>
Non controlling interest	687	327	684	-	-	-
Total equity	24,945	20,204	22,013	22,067	17,801	19,892
<b>Total equity and liabilities</b>	<b>115,189</b>	<b>93,960</b>	<b>104,363</b>	<b>88,163</b>	<b>71,390</b>	<b>82,017</b>
<i>Assets</i>						
Cash and cash equivalents	22,341	28,293	32,429	18,250	21,213	24,978
Money market investments	23,453	10,207	10,651	14,695	5,769	6,599
Equity investments	5,353	4,780	5,026	5,353	4,780	5,026
Investment in subsidiaries	-	-	-	2,778	2,318	2,778
Investment in associate	5,119	4,824	4,818	4,297	4,297	4,297
Advances and loans to customers (net)	43,759	32,238	35,651	33,911	26,148	29,486
Finance leases	3,738	4,657	4,556	-	-	-
Other receivables	2,183	1,708	2,218	1,561	1,045	1,783
Property, plant and equipment	9,243	7,253	9,014	7,318	5,820	7,070
<b>Total assets</b>	<b>115,189</b>	<b>93,960</b>	<b>104,363</b>	<b>88,163</b>	<b>71,390</b>	<b>82,017</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</b>						
<b>Balance at the beginning of the period</b>	<b>22,013</b>	<b>17,612</b>	<b>17,612</b>	<b>19,892</b>	<b>15,269</b>	<b>15,269</b>
Net profit for the period	3,577	3,467	5,197	2,876	3,233	5,938
Other comprehensive income	56	(174)	824	-	-	788
<b>Comp. Income attributable to owners</b>	<b>25,646</b>	<b>20,905</b>	<b>23,633</b>	<b>22,768</b>	<b>18,502</b>	<b>21,995</b>
Dividends paid	(701)	(701)	(2,103)	(701)	(701)	(2,103)
Other transactions with owners	-	-	483	-	-	-
<b>Balance at the end of the period</b>	<b>24,945</b>	<b>20,204</b>	<b>22,013</b>	<b>22,067</b>	<b>17,801</b>	<b>19,892</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>						
<i>Cash flows from operating activities</i>						
Interest and fees received	12,194	10,151	23,042	9,224	8,070	16,184
Interest paid	(2,425)	(1,865)	(3,797)	(1,458)	(981)	(2,191)
Cash paid to suppliers and employees	(6,314)	(1,216)	(8,532)	(4,941)	(2,709)	(6,525)
	<b>3,455</b>	<b>7,070</b>	<b>10,713</b>	<b>2,825</b>	<b>4,380</b>	<b>7,468</b>
Net increase/(decrease) in customer balances	1,446	(1,340)	342 485	(3,224)	(1,402)	
<b>Cash generated from operations</b>	<b>4,901</b>	<b>5,730</b>	<b>11,055</b>	<b>3,310</b>	<b>1,156</b>	<b>6,066</b>
Dividend received from listed and subsidiary companies	138	129	266	138	40	1,066
Income taxes paid	(976)	(977)	(2,318)	(816)	(901)	(2,097)
<b>Net cash from operating activities</b>	<b>4,063</b>	<b>4,882</b>	<b>9,003</b>	<b>2,632</b>	<b>295</b>	<b>5,035</b>
<i>Cash flows from investing activities</i>						
Purchases of Money Market Investments	(12,802)	(5,580)	(6,027)	(8,096)	(2,756)	(3,585)
Subscription of shares in subsidiary	-	-	(50)	(1,185)	-	-
Acquisition of property and equipment	(648)	(1,769)	(2,865)	(563)	(1,317)	(1,886)
<b>Net cash used in investing activities</b>	<b>(13,450)</b>	<b>(7,349)</b>	<b>(8,892)</b>	<b>(8,659)</b>	<b>(4,123)</b>	<b>(6,656)</b>
<i>Cash flows from financing activities</i>						
Repayment of loans from foreign banks	-	-	(411)	-	-	(411)
Proceeds from new credit lines from foreign banks	-	-	3,109	-	-	3,109
Dividend Paid	(701)	(701)	(2,103)	(701)	(701)	(2,103)
<b>Net cash from financing activities</b>	<b>(701)</b>	<b>(701)</b>	<b>595</b>	<b>(701)</b>	<b>(701)</b>	<b>595</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>	<b>(10,088)</b>	<b>(3,168)</b>	<b>706</b>	<b>(6,728)</b>	<b>(4,529)</b>	<b>(1,026)</b>
Cash and cash equivalents at 1st January	32,429	31,461	31,461	24,978	25,742	25,742
Effects of changes in exchange rates	-	-	262	-	-	262
<b>Cash and Cash Equivalents at 30th June</b>	<b>22,341</b>	<b>28,293</b>	<b>32,429</b>	<b>18,250</b>	<b>21,213</b>	<b>24,978</b>

## IMPAIRMENT LOSSES/NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY (FMB ONLY)

*In thousands of Malawi Kwacha*

Industry Sector	30 Jun 15			30 Jun 14		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
Agriculture	9,026,323	583,105	119,853	6,209,169	6,109	1,480
Manufacturing	8,791,597	48,807	23,204	4,557,193	16,964	5,301
Mining	58,785	1,211	218	732	644	112
Construction	1,599,582	253,627	102,179	3,362,723	191,968	41,233
Energy/Electricity/Gas/Water	123,645	-	-	77,922	-	-
Transport & Communication	2,973,152	141,101	50,019	2,587,857	74,076	15,557
Financial Services	1,972,031	827	303	2,187,262	285,702	94,810
Wholesale and Retail	9,846,545	2,261,899	668,096	6,503,263	1,100,672	439,631
Individual/Households	2,400,415	338,559	545,018	1,984,657	150,342	57,091
Real Estate	106,465	10,799	849	138,688	6,842	978
Tourism	496,093	23,902	4,667	507,222	5,591	967
Others	231,405	33,062	6,160	207,199	30,930	6,992
Total	37,626,038	3,696,899	1,520,566	28,323,887	1,869,840	664,152

## CREDIT CONCENTRATIONS

*In thousands of Malawi Kwacha*

Sector of Borrower	30 Jun 15	% of Core Capital	30 Jun 14	% of Core Capital
Construction	3,300,000	25%	2,469,353	32%
Electricity,gas,water and Energy	4,168,747	31%		
Transport & Communications	-	-	2,756,982	26%

## LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

*In thousands of Malawi Kwacha*

	30 Jun 15	30 Jun 14
<i>Corporate bodies directly or indirectly</i>		
Balance at the beginning of the period	1,187,883	1,738,709
Loans granted during the half year period	717,988	194,584
Repayments	(737,521)	(745,410)
<b>Balance at the end of the period</b>	<b>1,168,350</b>	<b>1,187,883</b>
<i>Subsidiary companies:</i>		
Balance at the beginning of the period	-	73,963
Loans granted during the half year period	267,541	-
Repayments	(267,541)	(73,963)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
<i>Senior management:</i>		
Balance at the beginning of the period	119,903	292,630
Loans granted during the half year period	72,066	77,936
Repayments	(49,842)	(250,663)
<b>Balance at the end of the period</b>	<b>142,127</b>	<b>119,903</b>

*\* there were no loans to directors in their individual capacities. All loans to bodies directly or indirectly linked to directors Were made on arm's length commercial terms.*

## INVESTMENT IN SUBSIDIARIES/ASSOCIATES INSTITUTION

institution	Number of Shares ('000)	Percentage Holding	30 June 2015 (MK'000)	30 June 2014 (MK'000)
Leasing and Finance Company of Malawi Limited	18,343	100.0%	65,911	65,911
Capital Bank Limited - Mozambique	1,292	70.0%	2,503,586	1,375,710
ICB Malawi Limited	7,149	100.0%	148,791	816,943
FMB Capital Markets Limited	500	100.0%	50,000	50,000
FMB Forex Bureau Limited	10,000	100.0%	10,000	10,000
Capital Bank Limited - Botswana	31,588	38.6%	903,854	903,854
First Capital Bank Limited - Zambia	49,000	49.0%	3,393,251	3,393,251
FMB Pensions Limited	1,000	100.0%	-	-

## DIRECTOR'S REMUNERATION AND BONUSES

	30 Jun 15	30 Jun 14
Director's remuneration	75,788	63,866
Total bonuses paid by licenced institution	-	-
Management fees	-	-

*\*\*Bonuses are not paid in mid year.*