

SUMMARY OF AUDITED CONSOLIDATED AND SEPARATE RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2015

In millions of Malawi Kwacha

	Consolidated		Separate	
	Audited 31-Dec-15	Audited 31-Dec-14	Audited 31-Dec-15	Audited 31-Dec-14
CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME				
Income				
Interest income	17,112	12,505	12,728	9,289
Interest paid	(5,079)	(3,837)	(2,961)	(2,231)
Net interest income	12,033	8,668	9,767	7,058
Fees and commission income	4,432	4,377	2,759	3,311
(Loss)/income from investments	(353)	763	147	1,563
Gain on foreign exchange transactions	2,374	4,037	2,350	3,978
Total operating income	18,486	17,845	15,023	15,910
Expenditure				
Total operating expenditure	(12,182)	(9,940)	(9,249)	(7,556)
Profit before impairment losses	6,304	7,905	5,774	8,354
Impairment losses	(675)	(516)	(165)	(451)
Operating profit	5,629	7,389	5,609	7,903
Share of profit from associate	237	122	-	-
Profit before income tax expense	5,866	7,511	5,609	7,903
Income tax expense	(2,005)	(2,314)	(1,697)	(1,965)
Profit for the year	3,861	5,197	3,912	5,938
Other comprehensive income for the year	231	824	-	788
Total comprehensive income for the year	4,092	6,021	3,912	6,726
Profit attributable to:				
Equity holders of the bank	4,073	5,457	3,912	5,938
Non controlling interests	(212)	(260)	-	-
Profit for the year	3,861	5,197	3,912	5,938

Earnings Per Share (tambala)

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION				
LIABILITIES AND EQUITY				
Liabilities				
Customer deposits	103,159	64,493	78,334	46,143
Other payables	15,138	13,212	12,276	11,338
Subordinated debt	6,644	4,644	6,644	4,644
Total liabilities	124,941	82,349	97,254	62,125
Equity				
Share capital	117	117	117	117
Share premium	1,565	1,565	1,565	1,565
Revaluation reserve	2,634	2,705	2,550	2,550
Loan loss reserve	1,588	489	1,346	445
Other non distributable reserves	350	350	-	-
Translation reserve	97	(55)	-	-
Retained earnings	16,881	16,158	15,890	15,214
Equity attributable to the parent	23,232	21,329	21,468	19,891
Non controlling interest	876	684	-	-
Total equity	24,108	22,013	21,468	19,891
Total equity and liabilities	149,049	104,362	118,722	82,016
ASSETS				
Cash and cash equivalents	35,767	32,429	28,565	24,978
Money market investments	34,230	10,651	26,991	6,599
Listed equity investments	4,618	5,026	4,618	5,026
Investment in subsidiaries	-	-	3,570	2,778
Investment in associates	5,054	4,817	4,297	4,297
Advances and loans to customers (net)	52,534	35,651	40,286	29,486
Finance leases	3,296	4,556	-	-
Other receivables	3,130	2,218	2,269	1,782
Intangible assets	2,847	836	2,224	157
Property and equipment	7,573	8,178	5,902	6,913
Total assets	149,049	104,362	118,722	82,016

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY ATTRIBUTABLE TO PARENT OWNERS				
As at the beginning of the year	22,013	17,612	19,891	15,268
Net profit for the year	3,861	5,197	3,912	5,938
Other comprehensive income	231	824	-	788
Comp. income attributable to owners	26,105	23,633	23,803	21,994
Dividends	(2,336)	(2,103)	(2,336)	(2,103)
Other transactions with owners	339	483	-	-
Balance at the end of the year	24,108	22,013	21,467	19,891

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS				
Operating activities				
Interest and fees received	25,104	23,042	17,958	16,183
Interest paid	(5,266)	(3,797)	(3,147)	(2,190)
Cash paid to suppliers and employees	(13,236)	(8,532)	(10,233)	(6,499)
	6,602	10,713	4,578	7,494
Net increase/ (decrease) in customer balances	22,367	343	21,227	(1,402)
Cash generated from operations	28,969	11,056	25,805	6,092
Dividends received	161	265	661	1,066
Income taxes paid	(2,402)	(2,318)	(1,954)	(2,097)
Cash flows from operating activities	26,728	9,003	24,512	5,061
Investing activities				
(Purchases)/maturities of money market investments	(23,579)	(6,027)	(20,392)	(3,586)
Acquisition of property and equipment	(2,695)	(2,865)	(1,902)	(1,911)
Proceeds from sale of equipment	175	-	7	-
Subscription for shares in subsidiary companies	-	-	(791)	(1,185)
Cash outflows applied to investing activities	(26,099)	(8,892)	(23,078)	(6,682)
Financing activities				
Dividend paid	(2,336)	(2,103)	(2,336)	(2,103)
Repayment of loans from foreign banks	(764)	(411)	(764)	(411)
Subscription of new capital by non controlling interests	339	-	-	-
Proceeds from new credit line from foreign banks	1,196	3,109	1,196	3,109
Cash flows from financing activities	(1,565)	595	(1,904)	595
Net (decrease)/increase in cash and cash equivalents	(936)	706	(470)	(1,026)
Cash and cash equivalents at 1st January	32,429	31,461	24,978	25,742
Effects of changes in exchange rates	4,274	262	4,057	262
Cash and cash equivalents at 31 December	35,767	32,429	28,565	24,978

Impairment Losses/Non Performing Credit Facilities And Provisions For Losses By Industry (FMB Malawi Limited)

In thousands of Malawi Kwacha

	31-Dec-15			31-Dec-14		
Industry Sector	Outstanding amount	Non performing facilities	Specific provision	Outstanding amount	Non performing facilities	Specific provision
Agriculture	12,114,668	1,525,877	775,205	8,741,167	212,336	2,141
Manufacturing	9,231,803	73,212	10,843	4,461,991	22,338	5,066
Mining	26,208	1,621	278	43,189	882	160
Construction	1,582,604	162,650	34,147	1,302,545	201,374	98,472
Energy/Electricity/Gas /Water	12,071	-	-	51,696	-	-
Transport & Communication	2,906,503	100,297	40,151	2,042,556	131,781	31,421
Financial Services	1,840,058	1,111	349	2,593,931	299,730	79,342
Wholesale and Retail	11,298,168	1,026,474	341,722	10,752,655	2,175,344	646,510
Individual/Households	1,468,033	450,031	310,070	1,391,955	319,944	185,855
Real Estate	99,327	5,989	984	134,198	57,955	575
Tourism	465,651	26,739	3,715	442,553	22,673	9,868
Others	1,038,066	31,398	8,335	451,496	58,410	5,339
Total	42,083,160	3,405,399	1,525,799	32,409,932	3,502,767	1,064,749

Credit Concentrations

In thousands of Malawi Kwacha

Industry sector exposure	31-Dec-15	% of Core Capital	31-Dec-14	% of Core Capital
Agriculture	12,114,668	97%	8,741,167	78%
Manufacturing	9,231,803	74%	4,461,991	40%
Wholesale and Retail	11,298,168	91%	10,752,655	96%

Loans to Directors, Senior Management and Other Related Parties

In thousands of Malawi Kwacha

Corporate Bodies Directly or Indirectly Related to Directors *	31-Dec-15	31-Dec-14
Balance at the Beginning of the year	1,747,566	2,264,506
Loans granted during the year	0	15,316
Repayments	(717,824)	(532,256)
Balance at the end of the year	1,029,742	1,747,566
Senior Management:		
Balance at the Beginning of the year	198,227	138,136
Loans granted during the year	124,026	66,103
Repayments	(132,687)	(6,012)
Balance at the end of the year	189,566	198,227

* 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

	Number of Shares ('000)	Percentage Holding	31 Dec 2015 (MK'000)	31 Dec 2014 (MK'000)
Subsidiary				
Leasing and Finance Company of Malawi Limited	18,343	100.00%	65,911	65,911
FMB Forex Bureau Limited	10,000	100.00%	10,000	10,000
FMB Pensions Limited	1,000	100.00%	-	-
FMB Capital Markets Limited	500	100.00%	50,000	50,000
ICB Malawi Limited	7,149	100.00%	148,791	148,791
Capital Bank Limited - Mozambique	2,785	70.00%	3,295,131	2,503,586
			3,569,833	2,778,288
Associates				
Capital Bank Limited -Botswana	31,588	38.60%	903,854	903,854
First Capital Bank - Zambia	32,900	49.00%	3,393,253	3,393,253
			4,297,107	4,297,107

Base Lending rate

	31-Dec-15	31-Dec-14
Base Lending Rate (Local Currency Loans)	35.00%	38.00%
Maximum Applicable Range (Percentage Points)	8%	8%
Base Lending Rate (Foreign Currency Loans)	0.00	0.00
Maximum Applicable Range (Percentage Points)	9.50	9.50
Bank Rate	27.00%	25.00%

Director's Remuneration and Bonuses

	31 Dec 2015 (MK'000)	31 Dec 2014 (MK'000)
Director's Remuneration	220,201	219,250
Total Bonuses Paid by licenced Institution	135,000	135,000

Deposit Rates

	31 Dec 2015	31 Dec 2014
Savings Accounts	8.00%	10.00%
Fast Accounts (Balances above K5,000)	6.00%	8.00%
Call Accounts		
7 day call	8.00%	8.00%
30 day call	10.00%	10.00%
Fixed Deposits		
1 Month	10.00%	10.00%
2 Months	14.00%	14.00%
3 Months	13.00%	13.00%
Above 3 Months	Negotiable	Negotiable
Current Account (Balances above K500,000)	0.15%	0.75%

REVIEW OF THE YEAR

The economies in which the group has operations faced common challenges of expanding fiscal deficits, inflationary pressures, foreign exchange shortages and exchange rate volatility. Periods of very tight money market liquidity were also experienced in the various territories.Despite this background, we succeeded in maintaining balance sheet growth momentum with total group assets increasing by 43% to just short of K150 billion.

A K39 billion or 60% growth in group deposits was largely driven by a K32 billion increase in deposits at holding company level. However, the prevailing economic downturn and high interest rate regime constrained our ability to identify sufficient quality lending opportunities to absorb our lending capacity. As a result, the group credit deposit ratio declined from 62% to 54%, the corollary being that liquid assets now comprise 47% of total assets, up from 41% in the prior year.

Net interest margin of 9.5% is down on the 10.4% achieved in the prior year, reflecting a higher proportion of lower yielding, lower risk assets. However, in absolute terms, net interest income increased by 39% from K8.7 billion to K12.0 billion.

Lower volumes traded and regulatory caps on margins saw a sharp fall in foreign exchange trading income from K4.0 billion to K2.4 billion. Our listed equity portfolio did not perform well returning an overall loss of K352.6 million from a K762.9 million profit in the prior year. This can be attributed to underperformance at individual investee company level as well as an overall bearish stock market. Taken together, reductions in income from foreign exchange trading and investments have been the primary cause of a 29% decline in non-interest income from K9.2 billion to K6.5 billion.

Cost containment measures have been implemented across the group. Overall operating expenditure has increased by 22%, marginally below the domestic inflation rate. Within the various categories of expenditure, the increase in staff and training costs has been maintained at 18%, mitigating increased depreciation and annual maintenance costs associated with our new IT operating systems.

Group profit before taxation for the year was K5.9 billion, 22% lower than that achieved in the prior year. A higher than normal effective tax rate has led to a larger 26% fall in profit after taxation and earnings per share from K5.20 billion to K3.86 billion and 234 tambala to 174 tambala respectively.

DIVIDEND

An interim dividend for the year 2015 of MK1,168.125 million or 50 tambala per share (2014:30 tambala) was paid during the year.

In order to maintain regulatory capital to support anticipated growth in risk assets, the Directors have decided that a second interim dividend will not be paid (2014: 30 tambala)

The Directors however propose a final dividend of MK467.25 million or 20 tambala per share (2014: 30 tambala) for approval at the forthcoming Annual General Meeting.

OUTLOOK

The macroeconomic environment is expected to remain challenging. Contractionary monetary policies are likely to continue to inhibit growth in our lending book and cause a narrowing of net interest margins. Foreign currency supply constraints may also persist. In response, we will focus on leveraging our enhanced service delivery platforms to expand our non-funded income base and pursue cost containment strategies.

Dheeraj Dikshit, Group Managing Director

Michael Kadumbo, Chief Finance Officer

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF FIRST MERCHANT BANK LIMITED

The accompanying summary consolidated and separate financial statements, which comprise the statements of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of First Merchant Bank Limited for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 12 April 2016.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in a manner as required by the Malawi Companies Act, 1984 which were applied in the preparation of the audited consolidated and separate financial statements of First Merchant Bank Limited. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of First Merchant Bank Limited.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited financial statements in accordance with the Malawi Stock Exchange Requirements and Malawi Companies Act, 1984.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

OPINION

In our opinion, the summary financial statements derived from the audited financial statements ofFirst Merchant Bank Limitedfor the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the Malawi Stock Exchange Requirements and Malawi Companies Act, 1984.



Certified Public Accountants and Business Advisors
12 April 2016