contents

senior management

for the year ended 31st December 2007

HEAD OFFICE

Managing Director	*Kashinath Chaturvedi*
Deputy Managing Director	*Seetharaman Srinivasan*
Chief Manager, Risk Management, Compliance & Security	*Ravindra Kamath*
Head, Information Technology	*E.P. Jacob*
Head, International Banking	*Thomas Kadantot*
Head of Credit	*Sriram Gade*
Senior Operations Manager	*Gayatri Kamath (Mrs)*
Senior Human Resources and Administration Manager	*Indira Sharma-Surtee (Mrs)*
Senior Manager, Central Clearing Department	*Anna Mafuleka (Mrs)*
Business Development and Subsidiary Management Operations Manager	*George Kamvulumvulu*
Audit Manager	*Tiwonge Kaluwa*
Marketing Manager	*Mary Chilima*
Programme Manager	*Nelson Njikho*
Finance Manager	*Maxwell Banda*

branch,agency and subsidiary management

for the year ended 31st December 2007

BLANTYRE

Acting Chief Manager	*Lexa Msowoya (Mrs)*
Acting Operations Manager	*Bright Kadewere*

LIMBE

Branch Manager	*Montfort Masinga*
Operations Manager	*Emily Banda (Mrs)*

LILONGWE

Chief Manager	*Prakash Kamath*
Operations Manager	*Keneth Musonzo*
Operations Manager	*Eisenhower Mkaka*

CAPITAL CITY

Branch Manager	*Mary Nkando (Ms)*
Operations Manager	*Jane Mphande (Mrs)*

MZUZU

Branch Manager	*Evance Bamusi*
Acting Operations Manager	*Harry Munthali*

FIRST CORPORATE SERVICES

Branch Manager	*Agness Jazza (Ms)*
Operations Officer	*Joyce Washoni (Mrs)*

ZOMBA

Officer In-Chrge	*Wisick Sadick*
Operations Officer	*Rodney Mafunga*

CHICHIRI MALL AGENCY

Officer-In-Charge	*Emmanuel Juwawo*

CROSSROADS MALL AGENCY

Officer-In-Charge	*Emmanuel Mwase*

DWANGWA AGENCY

Officer-In-Charge	*Lilian Mwafulirwa (Mrs)*

LIMBE AUCTION FLOOR AGENCY

Officer-In-Charge	*Hazel Makiyi*

KANENGO AUCTION FLOOR AGENCY

Officer-In-Charge	*Geoffrey Ng'oma*

LEASING AND FINANCE COMPANY OF MALAWI

General Manager	*Mbachazwa Lungu*
Lilongwe Branch Manager	*Bessie Nsambo*

2007 was another year of exceptional growth for the Group with a 50% increase being recorded in total group assets. Our consistent track record of generating superior returns on capital employed has been maintained and a return on equity of 70% was achieved for the year.

Economic Overview

Favourable conditions and the continued success of the subsidized farm input programme saw Malawi achieve record food production levels in 2007, such that large quantities of surplus maize were available for export to neighbouring food deficit countries, in particular Zimbabwe.

However, tobacco production declined significantly from 155,000 tonnes in 2006 to 109,000 tonnes in 2007 as smallholder farmers switched to other crops in response to the poor producer prices received in 2006. Unfavourable weather conditions were also experienced at the reaping and curing stage of the crop cycle. Fortunately, the world tobacco market appears to be entering into a period of international undersupply and prices rose significantly to levels 70% above that achieved in the prior year. Total proceeds of auction and contract sales of tobacco were US$194 million, 21% higher than the US$160 million realized in 2006.

Overall, output of the key agricultural sector continued to grow in 2007 with trickle down effects on most other economic sectors. Real GDP growth in 2007 is forecast to be 7.4% following on from a 7.9% growth rate in 2006, albeit off the back of a very low 2.3% growth rate in a drought afflicted 2005.

Government maintained its commitment to fiscal discipline and latest available figures show a small budget surplus after grants for the calendar year. This, together with the sharp post harvest drop in food prices over the period from April to August 2007 has enabled the year on year headline inflation rate to be contained at 7.5%. Nevertheless, inflationary pressures persist as annual growth in money supply remains high at 36% of which the narrow money component of growth was 40%.

From a peak of US$2.9 billion in 2006 prior to reaching HIPC completion point, external medium and long term debt totalled US$557 million at 31 December 2007. Over 90% of this debt is owed to multilateral creditors. The level of domestic debt remains of some concern, in particular the outstanding treasury bill stock which grew from K65 billion to K84 billion over the course of the year. Due to the prevailing low yields on this stock, the related debt service costs can be accommodated within the national budget but any reversal of the current downward trend in interest rates could have serious adverse implications for the fiscal out turn.

In response to the decline in the rate of inflation, the monetary authorities reduced the Bank rate from 20% at the beginning of the year to 17.5% in August 2007 and further to 15% in November 2007. The liquidity reserve requirement for commercial banks was also dropped from 20% to 15.5% in February 2007. Commercial banks responded by reducing their base lending rates from 22.5% average to close the year at 19.5% average with corresponding reductions in the deposit rates offered to customers. Also, in the second half of the year average yields on treasury bills dropped dramatically from over 16% to 9.8% average at year end.

Over the course of the year the monetary authorities were able to build up gross official foreign exchange reserves from US$130 million (2.1 months cover) to US$ 213 million (2.9 months import cover) largely as a result of inflows of balance of payments support. However, over the same period foreign exchange reserves of the commercial banks showed a negative trend, declining from US$59 million to US$40 million. Outside of the tobacco selling season foreign exchange remained in short supply. Despite this, the Kwacha remained firm against the benchmark US dollar trading in a narrow band of 138.5 to 142.0 in a market closely monitored by Reserve Bank of Malawi.

Group Performance

The key highlights of a very successful year for the group are:

- Deposits grew by 51% from K9.1 billion to K13.9 billion
- Lending grew by 39% from K5.1 billion to K7.1 billion
- Total assets grew by 50% from K13.2 billion to K19.9 billion
- Profit after tax grew by 73% from K1.1 billion to K1.9 billion
- Shareholders equity grew by 59% from K2.9 billion to K4.6 billion

The market for customer deposits remained highly competitive during the year and certain competing financial institutions enjoyed a pricing advantage through not being subject to prudential liquidity reserve requirements. Also, against the background of a downward trend in interest rates, the Malawi Stock Exchange continued to enjoy a bull run, providing exceptional returns to investors and posing stiff competition for savers' excess funds. Nevertheless, the group, through an aggressive and focused market campaign, has grown its deposit market share from 13.14% to 14.35% over the course of the year.

We strive to grow our lending portfolio in line with the growth in our deposit base and to take advantage of the growth in our capital base to secure new blue chip lending opportunities and enhance the facilities availed to existing blue chip clients. Although the 39% increase in our lending book falls short of the relative increase in our deposit base, significant facilities had been approved but not yet drawn down by the financial year end. As a result, our credit-deposit ratio declined marginally from 56% to 51%. The quality of our credit portfolio remains satisfactory but our very prudent classification and impairment policy has seen a small increase in the level of our impaired credit from 3% to 4% of our total credit portfolio.

Almost 50% of the Group asset base, K9.8 billion out of K19.8 billion, comprises low risk liquid assets in the form of cash, cash equivalents and money market investments. As a result, the Group complies comfortably with the prudential requirements for liquidity and capital adequacy. The liquidity ratios for the Bank and its subsidiary The Leasing and Finance Company of Malawi Limited are 80% and 52% respectively against a regulatory requirement of 30%. The Group's Tier 1 Capital equated to 23% of its total risk weighted assets against a regulatory requirement of 10%.

K1.6 billion or 8% of our total asset base is invested in listed equities. During the year, part of this portfolio was disposed of realizing K500 million. This enabled the Bank to make an investment of K240 million in its Botswana subsidiary without adverse impact on its prudential banking ratios, in particular its credit concentration limit. Overall returns on our investment portfolio were exceptional and total income from listed investments (including unrealized revaluation gains) exceeded expectations at K1.3 billion.

The 73% increase in profit after tax and earnings per share reflects growth in all income lines. Growth in the group deposit base counteracted a marginal narrowing in interest margins with the result that net interest income grew by 33%. We continue our efforts to diversify our income base and reduce reliance on balance sheet generated income. Profits from foreign exchange trading grew by 19% from K402 million to K487 million in a difficult market characterized by sporadic foreign exchange shortages. Other fee and commission income increased by 44% from K329 million to K473 million.

Expenses increased by 34% over the previous year. Part of this K354 million increase is attributed to an exceptional provision of K61 million for severance pay based on the most recent interpretations by the courts of the Employment Act. Expenses also include K20 million pre-operating costs of our Botswana banking subsidiary. The major area of cost increase is a K160 million or 30% increase in recurrent staff costs of our Malawi operations as a result of an increase in staff complement to service our growing customer base and distribution channels and improved remuneration packages including increases in performance related remuneration. Overall, however, our cost to income ratio has dropped from 42% to 37% and remains well within our targeted range though we remain mindful of the scope for further improvement though process re-engineering.

We continue to grow the group's capital base through retention of earnings of K1.5 billion (after payment of dividends of K467 million to shareholders during the year). A further K240 million was also added to reserves as surplus on revaluation of properties as the result of the periodic property revaluation carried out during the year. Total group shareholders' equity at the year end was K4.6 billion and this strong capital base should provide confidence to both the Bank's customers and its investors.

Human Resources

Over the course of the year our staff grew from 384 to 456. We continue to prioritize staff capacity building and have invested considerable financial and human resources in this area. In addition to a programme of courses covering all area of banking operations conducted at our in house training centre, selected staff also attend more specialized courses relevant to their particular roles conducted by third party organizations. Employees are also encouraged through financial support and appropriate study leave to pursue professional qualifications, in particular those of the Institute of Bankers.

FMB is an equal opportunities employer and does not discriminate on the basis of race, colour, creed or gender but rather seeks to identify, develop and reward staff members of exceptional ability and commitment to our core value of customer service.

Corporate Social Responsibility

In accordance with MSE requirements this annual report contains a separate statement on corporate governance. The Board is fully committed to ensuring that the group conducts its business affairs with integrity, maintains the highest ethical standards, complies with all legislation and regulations governing its activities, and makes a positive contribution to the welfare of the community at large. Whilst recognizing that our primary duty is to provide a return to our shareholders, we also provide financial support to numerous worthy causes with a particular focus on the areas of education and health.

Outlook

Weather patterns seem likely to adversely impact 2008 production of the staple food maize. Seasonal rainfall has been above normal and water logging and soil leaching will negatively impact crop yields. In the Southern Region, this has been exacerbated by a prolonged dry spell at the end of the growing season. Although more households than normal still have carryover from last season's bumper harvest, it is likely that there will be quite a number of food deficit areas in 2008 and the prospect of a national shortage cannot be discounted.

In response to last years encouraging producer prices, a significantly larger area has been planted to tobacco but, again, excessive rains will adversely affect yields and crop quality. Despite this, burley production could be 50% higher than last year's extremely low output and prices should remain firm because of the world wide undersupply of tobacco.

Government is expected to maintain its commitment to fiscal discipline though the expected lower national maize production may have implications for the eventual fiscal out-turn. With food prices being the main driver of movements in the National Consumer Price Index, month on month inflation will remain high until post harvest in March/April when, if historical patterns are repeated, the NCPI could be expected to fall until the 'lean' season begins again in September. The quantum of this drop in the NCPI is, however, much more marked in years of bumper maize harvest. It is, therefore, likely that year on year inflation will creep upwards during 2008. Although the monetary authorities seem committed to further reductions in interest rates, inflationary pressures may well limit the scope for further significant changes.

Foreign exchange was in extremely short supply in the last quarter of 2007 and it can be anticipated that the pipeline of pending remittances will continue to build up in the first quarter of 2008 before foreign exchange inflows from the tobacco auctions become available to the market. Assuming overall national food self sufficiency, increased tobacco exports should reduce but perhaps not totally eliminate the seasonal foreign exchange shortages which normally emerge in the last quarter of the year. Certain private sector organizations have been lobbying strongly for a free floating exchange rate to remove perceived market imperfections. Reserve Bank of Malawi, however, remain of the view that devaluations have not to date resulted in corresponding gains from exports, and are likely to strive to maintain the exchange rate within a relatively stable band. The current demand/supply equation is such that the monetary authorities are no longer able to regulate the value of the Kwacha through market based instruments alone and are increasingly reliant on moral suasion to achieve their objectives. Undoubtedly, pressure is mounting for a re-alignment in the value of the currency.

The economic environment in 2008 seems likely to present challenges but the Group has a solid track record of delivering growth in testing conditions. We remain confident that, even with the arrival of further players in an already over-banked market, we will be able to grow our deposits and advances portfolios. With balance sheet growth compensating for the possible negative impacts of a narrowing in interest margins, continuing focus on increasing non balance sheet generated revenue and emphasis on cost containment through efficiency gains, we remain confident of the prospects for our core banking business.

There are signs that the three year bull run on the Malawi Stock Exchange may be losing momentum and, accordingly, we anticipate more modest gains on our listed equity investment portfolio in 2008.

Preparations for the commencement of banking operations in Botswana are well advanced and we expect our subsidiary to open its first branch in Gaborone in the first half of 2008. We do not, however, expect Botswana to have a significant impact on group results for the forthcoming year.

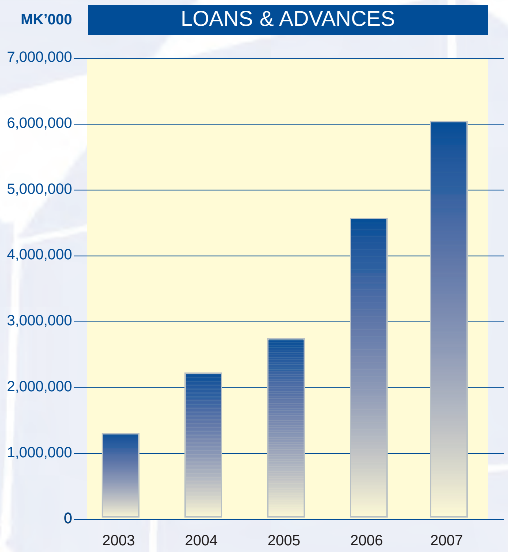
Acknowledgements

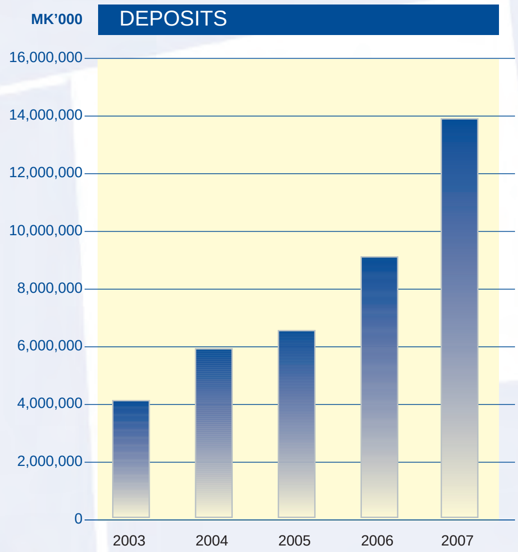
Our customers are the foundation on which the bank's success is built and I wish, firstly, to thank them all for their valued support. My thanks go also to our colleagues in the industry, both the domestic financial institutions and our overseas correspondents, for their continued co-operation. I also wish to record my appreciation of the support and guidance of Reserve Bank of Malawi. Finally, I express my gratitude to fellow directors, management and staff for their co-operation, hard work and dedication throughout the year.

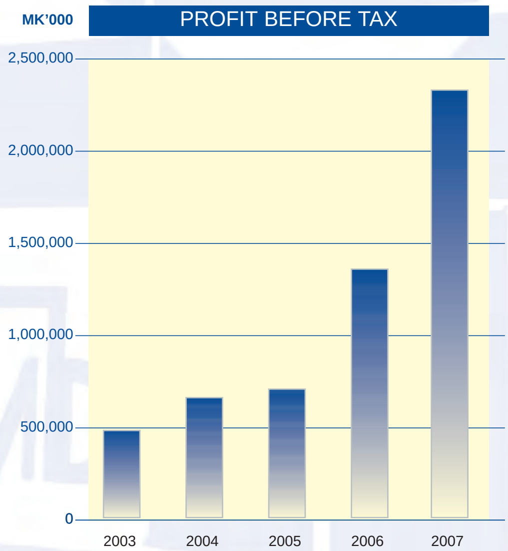
R. C. Kantaria
Chairman

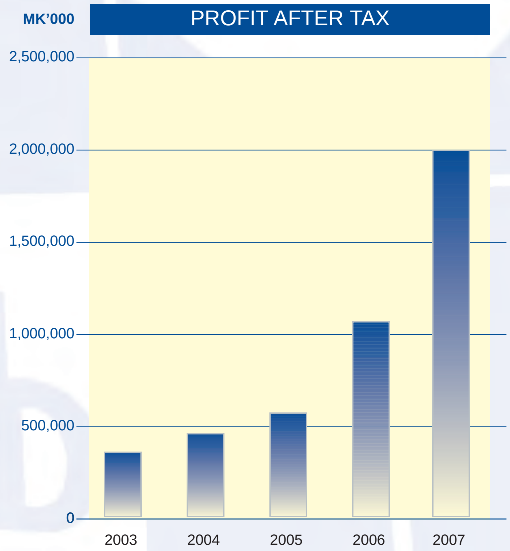
bank's progress

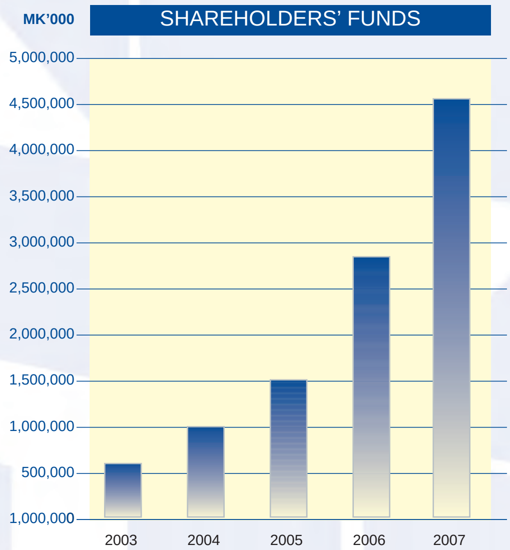
for the year ended 31st December 2007











corporate social responsibility

"...we also provide financial support to numerous worthy causes with a particular focus on the areas of education and health."

Marketing Manager, Mary Chilima, making a donation towards the Children's Cancer Ward at Queen Elizabeth Hospital

Support, in the form of tuition fees, at Chichiri Secondary School

A contribution towards the development activities of The Cricket Associatiion of Malawi

The bank funds the training of some Malawi College of Medicine students

The bank also assisted with tuition fees for some students from Joshua Secondary School

some of the bank's functions

Shareholders at the 2007 Annual General Meeting

Guests at a customers' party at Mount Soche Hotel

Golfers relaxing after a game on an FMB Customer Golf Day

Guests at the Mobile Mail launch at Ryall's Hotel

Mr. Victor Mbewe, Governor of The Reserve Bank of Malawi, opening Mzuzu Branch

Mrs. Mary Nkosi, Deputy Governor of The Reserve Bank of Malawi, with Evance Bamusi, Mzuzu Branch Manager

First Merchant Bank, Mzuzu Branch

directors' report

for the year ended 31st December 2007

The directors have pleasure in submitting their report together with the group financial statements of First Merchant Bank Limited for the year ended 31 December 2007.

Nature of business

First Merchant Bank Limited is a public limited company incorporated in Malawi under the Malawi Companies Act, 1984. It is listed on the Malawi Stock Exchange and is registered as a commercial bank under the Banking Act 1989. Its wholly owned subsidiary, The Leasing and Finance Company of Malawi Limited is engaged in the provision of lease finance. It also holds a 51 percent shareholding in Capital Bank Limited, a company incorporated in Botswana, which has been licensed as a commercial bank and is expected to commence banking operations in the second quarter of 2008.

The physical address of the holding company's registered office is:-

Livingstone Towers
Private Bag 122
Glyn Jones Road
Blantyre
Malawi

Financial performance

The results and state of affairs of the group and company are set out in the accompanying consolidated income statements, statements of changes in equity, balance sheets, statements of cash flows and associated accounting policies and notes.

Dividends

Last year's second interim dividend of MK133.5 million and an interim dividend for this year of MK333.75 million were paid during the year. Subsequent to the year end, on 22nd February 2008, the directors declared a second interim dividend of MK 133.5 million. No final dividend was declared in respect of the 2006 financial year. A final dividend of K44.5million for the 2007 financial year has been recommended by the directors for declaration at the forthcoming annual general meeting.

Directorate and Secretary

The following directors and secretary served during the year:

Mr. R.C. Kantaria	Chairman
Mr. H.N. Anadkat	Vice Chairman
Mr. K. N. Chaturvedi	Managing Director
Mr. N.G. Anadkat	Director
Mr. J.M. O'Neill	Director
Mr. A. Abdallah	Director
Mr. V.K.Shetty	Director - Member of Audit Committee
Mr. M. Msisha	Director - Chairman of Audit Committee
Mr. S.G. Malata	Director - Member of Audit Committee (from 10 December 2007)
Mr. S. Srinivasan	Secretary (Deputy Managing Director)

In accordance with the company's Articles of Association, Messrs. N.G. Anadkat, J.M. O'Neill and M. Msisha retired by rotation at the last Annual General Meeting on 24 May 2007 and were re-appointed. Messrs. R.C. Kantaria, H.N. Anadkat and K. N. Chaturvedi retire by rotation at the forthcoming Annual General Meeting but being eligible for re-appointment they offer themselves for re-election.

Mr. S.G. Malata, who was appointed director on 10 December 2007, also retires at the forthcoming Annual General Meeting but being eligible for re-appointment offers himself for re-election.

Auditors

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint KPMG, Certified Public Accountants (Malawi) as auditors in respect of the company's 31 December 2008 financial statements.

K.N. Chaturvedi
DIRECTOR
22 February 2008

J.M. O'Neill
DIRECTOR

The Bank has a unitary board of directors comprising a Non-Executive Chairman, 6 Non-Executive Directors and 3 Executive Directors.

The Board has adopted without modification the major principles of modern corporate governance as contained in the Cadbury and King reports, and the Basel Committee on Banking Supervision

The Board meets at least 3 times a year. Adequate and efficient communication and monitoring systems are in place to ensure that the Directors receive all relevant, accurate information to guide them in making necessary strategic decisions, and providing effective leadership, control and strategic direction over the company's operations, and in ensuring that the company fully complies with relevant legal, ethical and regulatory requirements.

Board and Management Committees

There is one permanent management committee namely the Asset and Liability Management Committee ("ALCO") and three permanent board committees, the Audit Committee, Credit Committee and the Appointments and Remuneration Committee. Additionally, there is an informal business promotion committee which comprises branch managers, senior management, 2 non-executive directors and 3 executive directors. This committee meets regularly, usually once a month, and reviews the bank's market position relative to its peers and sets operational strategy to maintain and grow market share.

Asset and Liability Management Committee (ALCO)

The primary objective of the ALCO is to ensure a proper balance in terms of maturity profile, cost and yield, risk exposure etc. between funds mobilized and funds deployed. The ALCO seeks to manage risks in order to minimize the volatility of net interest income and protect the long term economic value of the bank. The committee also monitors the capital adequacy of the bank.

Key functions of the ALCO include setting pricing guidelines for assets and liabilities, setting limits and managing liquidity risk and interest rate risk and ensuring contingency funding plans are in place to avert funding crises.

The ALCO is composed of 2 executive directors and 4 members of management and meets regularly, usually once a month. The members of the ALCO are:

Mr S. Srinivasan	Deputy Managing Director (Chairman)
Mr K. Chaturvedi	Managing Director
Mr S. Gade	Head of Credit
Mrs G. Kamath	Senior Operations Manager
Mr M. Banda	Finance Manager
Mr T. J. Kadantot	Head of International Banking

Audit Committee

The Audit Committee assists the board in discharging its duties in relation to financial reporting, asset management, risk management, internal control systems, processes and procedures and monitors the quality of both the external and internal audit functions. The bank's external auditors and internal auditors report to the committee in independent, private meetings to discuss risk exposure areas. Where the committee's monitoring and review activities reveal causes for concern or scope for improvement, it makes recommendations to the board on required remedial actions.

The Audit Committee comprises 3 non-executive directors, 1 of whom acts as chairman. The committee meets at least 4 times a year. The members of the Audit Committee are:

Mr M. Msisha	Non-Executive Director (Chairman)
Mr V. K. Shetty	Non-Executive Director
Mr S.G. Malata	Non Executive Director

Credit Committee

The Credit Committee comprises 3 local directors with a good knowledge of the Malawi economy and business environment. Its overall responsibility is to ensure the soundness of the bank's credit portfolio (including advances, guarantees and other facilities). Specific responsibilities include:

- Ratification of terms and conditions of all credit facilities granted by management under its discretionary powers;
- Approval of all credit facilities above the discretionary limits set for management save for those facilities requiring full board approval in accordance with Reserve Bank of Malawi directives and;
- Review of non performing facilities and recovery procedures initiated in respect thereof and establishment of appropriate levels of provisioning where required.

The Managing Director, Deputy Managing Director , Head of Credit and Branch Managers attend all Credit Committee meetings in a non-voting capacity.

The Credit Committee meets regularly, usually once a month and comprises the following members:

Mr H. N. Anadkat	Non-Executive Vice Chairman (Chairman)
Mr N. G. Anadkat	Non-Executive Director
Mr J. M. O'Neill	Executive Director

Appointments and Remuneration Committee

The Appointments and Remuneration Committee nominates persons to be appointed directors (subject to shareholders' approval) and recommends to the Board, executive and non-executive director and senior management remuneration. The committee also approves overall human resource and remuneration policies and strategies.

The Appointments and Remuneration Committee meets twice a year and comprises the following members

Mr H. N. Anadkat	Non-Executive Vice Chairman (Chairman)
Mr M. Msisha	Non-Executive Director

Ethical Standards

The Board is fully committed to ensuring the Group's affairs are conducted with integrity and that the highest ethical standards are maintained. All employees of the Group are required to abide by a code of conduct containing detailed guidelines governing ethics and integrity in the workplace.

statement of directors' responsibilities

for the year ended 31st December 2007

The Companies Act, 1984, requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that year.

The Act also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 1984.

In preparing the financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and group and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

Nothing has come to the attention of the directors to indicate that the company and group will not remain a going concern for at least the next twelve months from the date of this statement.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and group and of their operating results.

K.N. Chaturvedi
DIRECTOR

J.M. O'Neill
DIRECTOR

22 February 2008

KPMG
Public Accountants and Business Advisors
MASM House, Lower Sclater Road,
PO Box 508,
Blantyre, Malawi

Telephone: (265) 01 620 744 / 01 620 391
Telefax: (265) 01 620 575
E-mail: kpmg@malawi.net

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST MERCHANT BANK

Report on the financial statements

We have audited the accompanying consolidated and separate financial statements of First Merchant Bank Limited and its subsidiaries, which comprise the consolidated balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 52.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Malawi Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of First Merchant Bank Limited at 31 December 2007, and of its consolidated and separate financial performance and its consolidated and separate cashflows for the year then ended in accordance with International Financial Reporting Standards and are in compliance with the provisions of the Malawi Companies Act 1984.

KPMG

KPMG
Certified Public Accountants
Blantyre
22 February 2008

Resident Partners: L.M. Gama, H.B. Nyirenda

KPMG Malawi is a member firm of KPMG International, a Swiss cooperative.

consolidated income statements

for the year ended 31st December 2007

In thousands of Malawi Kwacha		GROUP		COMPANY	
	Note	**2007**	2006	**2007**	2006
REVENUE					
Interest income	7	**1,972,093**	1,612,812	**1,534,635**	1,327,168
Interest expense on deposits and other accounts		**(493,978)**	(501,285)	**(295,737)**	(351,176)
Net interest income		**1,478,115**	1,111,527	**1,238,898**	975,992
Fees and commissions		**473,625**	329,039	**463,525**	324,651
Income from investments	8	**1,358,326**	596,845	**1,358,326**	596,845
Gain on foreign exchange transactions		**481,137**	402,577	**481,137**	402,577
Net trading income		**3,791,203**	2,439,988	**3,541,886**	2,300,065
Other operating income	9	**2,130**	1,854	**1,337**	587
Total operating income		**3,793,333**	2,441,842	**3,543,223**	2,300,652
Staff and training costs	10	**748,277**	518,463	**704,890**	491,827
Premises and equipment costs		**159,084**	154,528	**155,136**	150,003
Depreciation	22	**138,706**	121,057	**133,983**	117,775
Other costs	11	**352,797**	251,100	**306,540**	237,322
Total expenses		**1,398,864**	1,045,148	**1,300,549**	996,927
Profit before impairment loss		**2,394,469**	1,396,694	**2,242,674**	1,303,725
Net impairment loss on financial assets		**(79,586)**	(31,022)	**(73,331)**	(35,812)
Profit before income tax expense		**2,314,883**	1,365,672	**2,169,343**	1,267,913
Income tax expense	12	**(321,926)**	(258,333)	**(275,006)**	(228,368)
NET PROFIT FOR THE YEAR		**1,992,957**	1,107,339	**1,894,337**	1,039,545
ATTRIBUTABLE TO:					
Equity holders of the company		**1,992,602**	1,107,339	**1,894,337**	1,039,545
Minority interest		**355**	-	**-**	-
Basic and diluted earnings per share (tambala)	13	**90**	52		

The financial statements are to be read in conjunction with the notes from pages 20 to 52

The auditor's report is on page 14

consolidated statements of changes in equity

for the year ended 31st December 2007

In thousands of Malawi Kwacha

GROUP	Share Capital	Share premium	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Loan loss reserve	Retained earnings	Attributable to equity holders of parent	Minority interest	Total Equity
Balance at 1 January 2006	100,000	-	-	140,653	226,386	66,606	991,833	1,525,478	-	1,525,478
Change in deferred tax on opening revaluation	-	-	-	7,501	-	-	-	7,501	-	7,501
Income and expense recognised directly in equity	-	-	-	7,501	-	-	-	7,501	-	7,501
Profit for the year	-	-	-	-	-	-	1,107,339	1,107,339	-	1,107,339
Total recognised income and expense	**-**	**-**	**-**	**7,501**	**-**	**-**	**1,107,339**	**1,114,840**	**-**	**1,114,840**
Transfer to investment revaluation reserve	-	-	-	-	484,973	-	(484,973)	-	-	-
Dividends paid	-	-	-	-	-	-	(306,702)	(306,702)	-	(306,702)
Issue of share capital	11,250	514,035	-	-	-	-	-	525,285	-	525,285
Balance at 31 December 2006	**111,250**	**514,035**	**-**	**148,154**	**711,359**	**66,606**	**1,307,497**	**2,858,901**	**-**	**2,858,901**
Balance at 1 January 2007	111,250	514,035	-	148,154	711,359	66,606	1,307,497	2,858,901	-	2,858,901
Surplus on revaluation of properties	-	-	-	270,872	-	-	-	270,872	-	270,872
Deferred tax on property revaluation	-	-	-	(28,845)	-	-	-	(28,845)	-	(28,845)
Arising on consolidation of subsidiary	-	-	(4,635)	-	-	-	-	(4,635)	(4,454)	(9,089)
Income and expense recognised directly in equity	**-**	**-**	**(4,635)**	**242,027**	**-**	**-**	**-**	**237,392**	**4,454)**	**232,938**
Profit for the year	-	-	-	-	-	-	1,992,602	1,992,602	355	1,992,957
Total recognised income and expense	**-**	**-**	**(4,635)**	**242,027**	**-**	**-**	**1,992,602**	**2,229,994**	**(4,099)**	**2,225,895**
Transfer to investment revaluation reserve	-	-	-	-	999,910	-	(999,910)	-	-	-
Minority interest in subsidiary acquired	-	-	-	-	-	-	-	-	233,820	233,820
Realised on disposals	-	-	-	(275)	(221,372)	-	221,647	-	-	-
Dividends paid	-	-	-	-	-	-	(467,250)	(467,250)	-	(467,250)
Balance at 31 December 2007	**111,250**	**514,035**	**(4,635)**	**389,906**	**1,489,897**	**66,606**	**2,054,586**	**4,621,645**	**229,721**	**4,851,366**

The financial statements are to be read in conjunction with the notes from pages 20 to 52.

consolidated statements of changes in equity

for the year ended 31st December 2007

In thousands of Malawi Kwacha

COMPANY	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Loan loss reserve	Retained earnings	Total
Balance at 1 January 2006	100,000	-	128,398	226,386	57,034	871,807	1,383,625
Change in deferred tax on opening revaluation	-	-	5,849	-	-	-	5,849
Income and expense recognised directly in equity	**-**	**-**	**5,849**	**-**	**-**	**-**	**5,849**
Profit for the year	-	-	-	-	-	1,039,545	1,039,545
Total recognised income and expense	**-**	**-**	**5,849**	**-**	**-**	**1,039,545**	**1,045,394**
Transfer to investment revaluation	-	-	-	484,973	-	(484,973)	-
Deferred tax on investment revaluation surplus	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(306,702)	(306,702)
Issue of Share Capital	11,250	514,035	-	-	-	-	525,285
Balance at 31 December 2006	**111,250**	**514,035**	**134,247**	**711,359**	**57,034**	**1,119,677**	**2,647,602**
Balance at 1 January 2007	111,250	514,035	134,247	711,359	57,034	1,119,677	2,647,602
Surplus on revaluation of properties	-	-	256,786	-	-	-	256,786
Deferred tax on property revaluation	-	-	(26,850)	-	-	-	(26,850)
Income and expense recognised directly in equity	**-**	**-**	**229,936**	**-**	**-**	**-**	**229,936**
Profit for the year	-	-	-	-	-	1,894,337	1,894,337
Total recognised income and expense	**-**	**-**	**229,936**	**-**	**-**	**1,894,337**	**2,124,273**
Transfer to revaluation reserve	-	-	-	999,910	-	(999,910)	-
Realised on disposals	-	-	-	(221,372)	-	221,372	-
Dividends paid	-	-	-	-	-	(467,250)	(467,250)
Balance at 31 December 2007	**111,250**	**514,035**	**364,183**	**1,489,897**	**57,034**	**1,768,226**	**4,304,625**

The financial statements are to be read in conjunction with the notes from pages 20 to 52

The auditor's report is on page 14

consolidated balance sheets

at 31st December 2007

In thousands of Malawi Kwacha		GROUP		COMPANY	
	Note	**2007**	2006	**2007**	2006
ASSETS					
Cash and cash equivalents	15	**4,782,997**	3,657,421	**4,363,225**	3,657,374
Money market investments	16	**5,059,572**	2,734,689	**3,929,274**	2,139,266
Loans and advances to customers	17	**5,826,047**	4,326,337	**5,754,910**	4,341,884
Finance lease receivables	18	**1,301,092**	812,780	**-**	-
Other assets	19	**87,231**	102,304	**81,819**	101,601
Investments in listed companies	20	**1,625,683**	770,440	**1,625,683**	770,440
Investment in subsidiaries	21	**-**	-	**309,275**	65,911
Property, plant and equipment	22	**1,215,898**	874,446	**1,115,672**	833,080
Total assets		**19,898,520**	13,278,417	**17,179,858**	11,909,556
LIABILITIES AND EQUITY					
Liabilities					
Current and savings accounts		**7,429,028**	3,807,377	**7,435,955**	4,011,582
Foreign currency accounts		**2,906,151**	2,355,021	**2,906,151**	2,355,021
Term deposit accounts		**3,553,314**	3,023,643	**1,436,900**	1,206,522
Total liabilities to customers	23	**13,888,493**	9,186,041	**11,779,006**	7,573,125
Income tax payable		**90,783**	93,388	**76,561**	84,655
Deposits from other banks		**152**	83,837	**-**	574,837
Other payables	24	**883,885**	971,485	**863,093**	960,420
Provisions	25	**106,610**	44,656	**95,240**	38,874
Deferred tax liabilities	26	**77,231**	40,109	**61,333**	30,043
Total liabilities		**15,047,154**	10,419,516	**12,875,233**	9,261,954
Equity					
Issued capital	27	**111,250**	111,250	**111,250**	111,250
Share Premium	27	**514,035**	514,035	**514,035**	514,035
Property revaluation reserve	28	**389,906**	148,154	**364,183**	134,247
Investment revaluation reserve	29	**1,489,897**	711,359	**1,489,897**	711,359
Loan loss reserve	30	**66,606**	66,606	**57,034**	57,034
Translation reserve		**(4,635)**	-	**-**	-
Retained earnings		**2,054,586**	1,307,497	**1,768,226**	1,119,677
Total equity attributable to equity holders of the company		**4,621,645**	2,858,901	**4,304,625**	2,647,602
Minority interest		**229,721**	-	**-**	-
Total equity		**4,851,366**	2,858,901	**4,304,625**	2,647,602
Total equity and liabilities		**19,898,520**	13,278,417	**17,179,858**	11,909,556

The financial statements of the Group and company were approved for issue by the Board of Directors on 22 February 2008 and were signed on its behalf by:

K.N. Chaturvedi
DIRECTOR

J.M. O'Neill
DIRECTOR

The financial statements are to be read in conjunction with the notes from pages 20 to 52
The auditor's report is on page 14.

consolidated statements of cash flows

for the year ended 31st December 2007

In thousands of Malawi Kwacha

	Note	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and fees received		**2,973,442**	2,368,598	**2,528,750**	2,078,364
Interest paid		**(498,490)**	(499,786)	**(300,249)**	(349,677)
Cash paid to suppliers and employees		**(1,303,037)**	(703,666)	**(1,224,636)**	(663,011)
		1,171,915	1,165,146	**1,003,865**	1,065,676
Increase in net customer balances		**2,537,588**	568,718	**2,132,320**	488,258
Cash generated from operations		**3,709,503**	1,733,864	**3,136,185**	1,553,934
Income taxes paid		**(316,254)**	(244,886)	**(278,660)**	(204,835)
Net cash from operating activities		**3,393,249**	1,488,978	**2,857,525**	1,349,099
CASH FLOWS FROM INVESTING ACTIVITIES					
Net purchases/maturities of money market investments		**(2,324,883)**	(1,371,821)	**(1,790,008)**	(1,243,481)
Proceeds from sale of shares and other investments		**506,007**	183,486	**506,007**	179,632
Proceeds from sale of equipment		**1,562**	4,195	**895**	4,195
Acquisition of property and equipment	22	**(228,503)**	(156,694)	**(178,617)**	(140,913)
Acquisition of subsidiaries	21	**-**	-	**(243,364)**	-
Dividend received		**82,214**	57,595	**82,214**	57,595
Purchase of shares in listed companies	20	**(61,551)**	(27,928)	**(61,551)**	(27,928)
Net cash used in investing activities		**(2,025,154)**	(1,311,167)	**(1,684,424)**	(1,170,900)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds of issue of shares		**224,731**	525,285	**-**	525,285
Dividend paid		**(467,250)**	(306,702)	**(467,250)**	(306,702)
Net cash generated from financing activities		**(242,519)**	218,583	**(467,250)**	218,583
Net increase in cash and cash equivalents		**1,125,576**	396,394	**705,851**	396,782
Cash and cash equivalents at beginning of the period		**3,657,421**	3,261,027	**3,657,374**	3,260,592
Cash and cash equivalents at end of the period	15	**4,782,997**	3,657,421	**4,363,225**	3,657,374

The financial statements are to be read in conjunction with the notes from pages 20 to 52

The auditor's report is on page 14.

1. Reporting Entity

First Merchant Bank Limited is a public limited liability company incorporated in Malawi and is listed on the Malawi Stock Exchange. The consolidated financial statements for the year ended 31 December 2007 comprise the bank and its subsidiaries, The Leasing and Finance Company of Malawi Limited incorporated in Malawi and Capital Bank Limited incorporated in Botswana (together referred to as the "Group")

2. Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The adoption of IFRS 7 Financial Instruments - Disclosures and the amendment to IAS 1 Presentation of Financial Statements impacts on the type and amount of disclosures made in these financial statements, but has no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

(ii) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following:

- land and buildings which are revalued;
- financial instruments at fair value through profit or loss are measured at fair value ;
- available-for-sale financial assets are measured at fair value;

(iii) Functional and presentation currency

These consolidated financial statements are presented in Malawi Kwacha, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Malawi Kwacha, has been rounded to the nearest thousand.

(iv) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes.

- Note 17 - Loans and advances to customers
- Note 25 - provisions

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's management in order to assess each segment's performance and to allocate resources to them.

3. New standards and interpretations not yet adopted (continued)

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 which will become mandatory for the Group's 2009 financial statements is not expected to have any impact on the consolidated financial statements.

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the consolidated financial statements.

- IFRIC 13 Consumer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 which will become mandatory for the Group's 2008 financial statements, with retrospective application required, is not expected to have any impact on the consolidated financial statements.

4. Significant accounting policies

The accounting policies have been consistently applied by the group and are consistent with those used in the previous year.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the bank and its subsidiaries, The Leasing and Finance Company of Malawi Limited and Capital Bank Limited (together referred to as 'the Group').

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Funds management

The Group manages and administers assets held in investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

4. Significant accounting policies (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Malawi Kwacha at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Malawi Kwacha at the foreign exchange rate (mid-rate) ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Malawi Kwacha at foreign exchange rates ruling at the dates the fair values were determined.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates (mid-rate) ruling at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at exchange rates ruling at the dates of the transactions.

Exchange difference arising on the translation of the assets and liabilities of foreign operations are recognised directly in equity in a foreign currency translation reserve. When a foreign operation is disposed of in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(c) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group also derecognises certain assets when they are deemed to be uncollectible.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions within the Group's trading activity.

4. Significant accounting policies (Continued)

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method applied to the difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(vi) Identification and measurement of impairment

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows from the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment (if applicable) the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

4. **Significant accounting policies (Continued)**

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(vii) Designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Investments in listed companies (see note 20) have been designated at fair value through profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the balance sheet.

(e) Other receivables

Other receivables are subsequently measured at amortised cost using the effective interest method less impairment losses.

Other receivables comprise interbranch accounts, interest receivables, prepayments, staff advances and office assets.

(f) Loans and advances and finance lease receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a borrowing from or a loan to the other party, and the underlying asset is not recognised in the Group's financial statements.

Loans and advances are initially measured at fair value, and subsequently measured at their amortised cost using the effective interest method, except when the Group chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy (c).

(g) Investments (Continued)

(i) Held-to-maturity

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

4. Significant accounting policies (Continued)

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available- for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Fair value through profit or loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy (c).

(iii) Available for sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(h) Investment in subsidiaries

Investments in subsidiaries are recognised at cost in the company accounts.

(i) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost except for freehold property and leasehold improvements which are stated at latest valuation less accumulated depreciation and impairment losses as described in accounting policy (k).

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

All properties are subject to revaluation every two years, with surpluses on revaluation being transferred to a non-distributable property revaluation reserve. On disposal of the asset, the appropriate portion of the non-distributable reserve is transferred to retained earnings.

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

4. Significant accounting policies (Continued)

(iii) Depreciation

Property, plant and equipment are depreciated on the straight-line basis at rates that would reduce book amounts to residual values, estimated at purchase, over the initially anticipated useful lives of the assets. The group re-assesses both the useful lives and the residual values of the assets annually. Any changes in either useful lives or estimated residual values is accounted for prospectively as a change in accounting estimate in accordance with IAS 16 Property, Plant and Equipment (revised).

Depreciation is recognised in profit or loss.
The depreciation rates for the current period are:

● leasehold properties	2.5% (or period of lease if shorter)
● freehold properties	2.5%
● motor vehicles	25%
● furniture, fixtures and fittings, computers, office equipment	20%

Freehold land is not depreciated.

Residual values, useful lives and depreciation methods are reassessed at the reporting date.

(j) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is six years.

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Significant accounting policies (Continued)

An impairment loss is recognised in profit or loss unless it concerns property carried at revalued amount in which case it is treated as a revaluation decrease. If the impairment loss exceeds the revaluation reserve in respect of the impaired asset, the excess is recognised in profit or loss.

A reversal of an impairment loss is recognised in profit or loss, unless it concerns property carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Liabilities to customers and other banks

Liabilities to customers and other banks are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) Other payables

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(o) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

4. Significant accounting policies (Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(r) Net interest income

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis
- interest on available-for-sale investment securities on an effective interest rate basis.

Interest income is suspended and hence not included in net interest income when the collection of loans becomes doubtful.

Income from leasing is included in net interest income as further described in accounting policy (s).

4. Significant accounting policies (Continued)

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) The group as a lessee

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(t) Fees and commissions income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

(u) Income from investments

Income from investments includes dividend income and increase in fair value of investments.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

Increase in fair value of investments designated at fair value through profit or loss includes all realised and unrealised fair value changes.

(v) Other income

Other income includes rentals receivable and net gains on the sale of assets and is recognised on the accruals basis.

(w) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4. Significant accounting policies (Continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) Financial guarantees

Financial guarantee contracts require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5. Financial risk management

The board of directors of the bank has ultimate responsibility for the level of risk taken by the bank and accordingly they have approved the overall business strategies and significant policies of the bank, including those related to managing and taking risk. Senior management in the bank is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with rule and regulation, both on a long term and day to day basis. The bank has a risk management department, which is independent of those who accept risks in the bank. The risk management department is tasked to:-

- identify current and emerging risks
- develop risk assessment and measurement systems
- establish policies, practices and other control mechanisms to manage risks
- develop risk tolerance limits for senior management and board approval
- monitor positions against approved risk tolerance limits
- report results of risk monitoring to senior management and the board.

To ensure that risk management is properly explained to and understood by all business lines the board has established the following risk management policies:-

- Credit Risk Management Policy
- Liquidity Risk Management Policy
- Operational Risk Management Policy
- Capital Risk Management Policy
- Market Risk Policy
  - Equity
  - Interest Rate
  - Foreign Exchange

5(a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's loans and advances to customers and other banks and its investment in securities. For risk management purposes, the group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

in thousands of Malawi Kwacha

5(a) Credit risk(continued)

Management of credit risk

The Boards of Directors of the group have delegated responsibility for the management of credit risk to their Credit Committees. Separate Credit departments, reporting to the Credit Committees are responsible for oversight of the credit risk, including:-

- *Formulating credit policies,* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to Branch Managers. Larger facilities require approval by Head Office Management, The Credit Committee or the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Reviewing compliance* of business units with agreed exposure limits.

Exposure to credit risk

The Group's exposure to credit risk comprises loans and advances to customers and finance leases receivable analysed as follows:

	Group		Company	
	2007	2006	**2007**	2006
Standard (fully performing)	**6,799,590**	4,965,640	**5,529,306**	4,188,902
Past due but not impaired	**236,154**	180,472	**134,209**	110,083
Impaired	**409,325**	325,464	**382,987**	353,132
	7,445,069	5,471,576	**6,046,502**	4,652,117

Past due but not impaired loans and advances comprise:

	Group		Company	
	2007	2006	**2007**	2006
30-60 days	**112,522**	76,550	**51,222**	22,777
61-90 days	**123,632**	103,922	**82,987**	87,306
	236,154	180,472	**134,209**	110,083

An estimate of the fair value of collateral held against loans and advances to customers is shown below:

	Group		Company	
Against individually impaired	**2007**	2006	**2007**	2006
Property	**484,772**	803,312	**467,922**	776,312
Others	**13,089**	11,039	**9,189**	8,889
Against past due but not impaired				
Property	**542,950**	367,612	**349,450**	283,112
Others	**209,509**	58,547	**104,487**	11,847
Against neither past due nor impaired				
Property	**10,525,671**	7,078,503	**10,079,271**	6,747,803
Others	**3,246,469**	1,127,350	**2,006,343**	1,395,850
	15,022,460	9,446,363	**13,016,662**	9,223,813

in thousands of Malawi Kwacha

5(a) Credit risk (Continued)

Exposure to credit risk (Continued)

The Group monitors concentration of credit risk by sector. The analysis of concentration of credit risk as at the reporting date is shown below:-

	Group		Company	
	2007	2006	**2007**	2006
Segmental analysis by industry				
Agriculture	**758,997**	219,655	**571,148**	175,386
Mining	**41,876**	44,797	**41,876**	44,797
Finance and Insurance	**112,491**	93,876	**107,414**	104,819
Construction	**314,008**	493,857	**208,085**	434,675
Manufacturing	**1,393,014**	1,375,894	**1,332,894**	1,311,885
Wholesale and retail	**3,131,313**	2,626,412	**2,884,640**	2,209,573
Tourism and Leisure	**298,472**	67,277	**253,423**	41,003
Transport	**709,339**	138,179	**228,568**	119,888
Others	**685,559**	411,629	**418,454**	210,091
	7,445,069	5,471,576	**6,046,502**	4,652,117

5 (b) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without causing damage to the group's reputation.

The daily liquidity position is monitored and regular stress testing is done under normal and severe, market conditions. However, it is assumed that under normal circumstances customer demand deposits will remain stable or increase in value and unrecognized loan/ overdraft commitments are not expected to be immediately drawn down in their entirety.

All liquidity policies and procedures are subject to review and approval by the Asset Liability Committees (ALCO). These are management committees which meet once a month or more often if necessary. The daily monitoring of liquidity is the responsibility of an integrated treasury department which monitors the level of mismatches in the maturity positions of assets and liabilities. The maturity gap analyses as at 31 December 2007 and 31 December 2006 are given below:-

in thousands of Malawi Kwacha

5(b) Liquidity risk (Continued)

Group - 31 December 2007

	Carrying amount	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 5 years	Gross Nominal inflow/ (outflow)
ASSETS								
Cash and cash equivalents	4,782,997	4,782,997	-	-	-	-	-	4,782,997
Money market investments	5,059,572	-	3,047,878	1,916,362		45,332	50,000	5,059,572
Loans, advances and leases	7,127,139	537,128	4,469,532	495,737	799,202	825,540	-	7,127,139
Investment in listed companies	1,625,683	-	-	-	-	-	1,625,683	1,625,683
Property, plant and equipment	1,215,898	-	-	-	-	-	1,215,898	1,215,898
Other assets	87,231	87,231	-	-	-	-	-	87,231
Total assets	19,898,520	5,407,356	7,517,410	2,412,099	799,202	870,872	2,891,581	19,898,520
LIABILITIES								
Current and savings account	7,429,028	1,485,806	-	-	-	-	5,943,222	7,429,028
Foreign currency accounts	2,906,151	581,230	-	-	-	-	2,324,921	2,906,151
Term deposit accounts	3,553,314	134,062	3,198,832	220,420	-	-	-	3,553,314
Total liabilities to customers	13,888,493	2,201,098	3,198,832	220,420	-	-	8,268,143	13,888,493
Income tax payable	90,783	-	90,783	-	-	-	-	90,783
Deposits from other banks	152	152	-	-	-	-	-	152
Other payables	883,885	883,885	-	-	-	-	-	883,885
Provisions	106,610	-	-	-	-	-	106,610	106,610
Total liabilities	14,969,923	3,085,135	3,289,615	220,420	-	-	8,374,753	14,969,923
Net Liquidity Gap	**-**	**2,322,221**	**4,227,795**	**2,191,679**	**799,202**	**870,872**	**(5,483,172)**	**4,928,597**
Cumulative Liquidity Gap	**-**	**2,322,221**	**6,550,016**	**8,741,695**	**9,540,897**	**10,411,769**	**4,928,597**	**-**

Company - 31 December 2007

	Carrying amount	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 5 years	Gross Nominal inflow/ (outflow)
ASSETS								
Cash and cash equivalents	4,363,225	4,363,225	-	-	-	-	-	4,363,225
Money market investments	3,929,274	1,917,912	1,916,362	-	-	45,000	50,000	3,929,274
Loans, advances and leases	5,754,910	1,518	5,720,421	32,971	-	-	-	5,754,910
Investment in listed companies	1,625,683	-	-	-	-	-	1,625,683	1,625,683
Investment in subsidiaries	309,275	-	-	-	-	-	309,275	309,275
Property, plant and equipment	1,115,672	-	-	-	-	-	1,115,672	1,115,672
Other assets	81,819	81,819	-	-	-	-	-	81,819
Total assets	17,179,858	6,364,474	7,636,783	32,971	-	45,000	3,100,630	17,179,858
LIABILITIES								
Current and savings account	7,435,955	1,487,191	-	-	-	-	5,948,764	7,435,955
Foreign currency accounts	2,906,151	581,230	-	-	-	-	2,324,921	2,906,151
Term deposit accounts	1,436,900	134,062	1,273,291	29,547	-	-	-	1,436,900
Total liabilities to customers	11,779,006	2,202,483	1.273.291	-	-	-	8,273,685	11,779,006
Income tax payable	76,561	76,561	-	-	-	-	-	76,561
Deposits from other banks	-	-	-	-	-	-	-	-
Other payables	863,093	863,093	-	-	-	-	-	863,093
Provisions	95,240	-	-	-	-	-	95,240	95,240
Total liabilities	12,813,900	3.142.137	1.273.291	29.547	-	-	8,368,925	12,813,900
Net Liquidity Gap	**-**	**3.222.337**	**6.363.492**	**3.424**		**45,000**	**(5,268,295)**	**4,365,958**
Cumulative Liquidity Gap	**-**	**3.222.337**	**9.585.829**	**9,589,253**	**9,589,253**	**9,634,253**	**4,365,958**	**-**

in thousands of Malawi Kwacha

5b) Liquidity risk (Continued)

Group - 31 December 2006

	Carrying amount	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 5 years	Gross Nominal inflow/ (outflow)
ASSETS								
Cash and cash equivalents	3,657,421	3,657,421	-	-	-	-	-	3,657,421
Money market investments	2,734,689	-	553,294	2,033,663	102,432	45,300	-	2,734,689
Loans, advances and leases	5,139,117	-	415,523	4,061,602	100,406	362,588	198,998	5,139,117
Investment in listed companies	770,440	-	-	-	-	-	770,440	770,440
Property, plant and equipment	874,446	-	-	-	-	-	874,446	874,446
Other assets	102,304	102,304	-	-	-	-	-	102,304
Total assets	13,278,417	3,759,725	968,817	6,095,265	202,838	407,888	1,843,884	13,278,417
LIABILITIES								
Current and savings account	3,807,377	761,475	-	-	-	-	3,045,902	3,807,377
Foreign currency accounts	2,355,021	471,004	-	-	-	-	1,884,017	2,355,021
Term deposit accounts	3,023,643	1,175,144	1,143,908	541,489	163,102	-	-	3,023,643
Total liabilities to customers	9,186,041	2,407,623	1,143,908	541,489	163,102	-	4,929,919	9,186,041
Income tax payable	93,388	-	93,388	-	-	-	-	93,388
Deposits from other banks	83,837	83,837	-	-	-	-	-	83,837
Other payables	971,485	971,485	-	-	-	-	-	971,485
Provisions	44,656	-	-	-	-	-	44,656	44,656
Total liabilities	10,379,407	3,462,945	1,237,296	541,489	163,102	-	4,974,575	10,379,407
Net Liquidity Gap	**-**	**296,780**	**(268,479)**	**5,553,776**	**39,736**	**407,888**	**(3,130,691)**	**2,899,010**
Cumulative Liquidity Gap	**-**	**296,780**	**28,301**	**5,582,077**	**5,621,813**	**6,029,701**	**2,899,010**	**-**

Company - 31 December 2006

	Carrying amount	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 5 years	Gross Nominal inflow/ (outflow)
ASSETS								
Cash and cash equivalents	3,657,374	3,657,374	-	-	-	-	-	3,657,374
Money market investments	2,139,266	-	259,729	1,834,537	-	45,000	-	2,139,266
Loans, advances and leases	4,341,884	-	296,306	3,999,312	46,266	-	-	4,341,884
Investment in listed companies	770,440	-	-	-	-	-	770,440	770,440
Investment in subsidiary	65,911	-	-	-	-	-	65,911	65,911
Property, plant and equipment	833,080	-	-	-	-	-	833,080	833,080
Other assets	101,601	101,601	-	-	-	-	-	101,601
Total assets	11,909,556	3,758,975	556,035	5,833,849	46,266	45,000	1,669,431	11,909,556
LIABILITIES								
Current and savings account	4,011,582	802,316	-	-	-	-	3,209,266	4,011,582
Foreign currency accounts	2,355,021	471,004	-	-	-	-	1,884,017	2,355,021
Term deposit accounts	1,206,522	239,477	934,187	32,858	-	-	-	1,206,522
Total liabilities to customers	7,573,125	1,512,797	934,187	32,858	-	-	5,093,283	7,573,125
Income tax payable	84,655	-	84,655	-	-	-	-	84,655
Deposits from other banks	574,837	574,837	-	-	-	-	-	574,837
Other payables	960,420	960,420	-	-	-	-	-	960,420
Provisions	38,874	-	-	-	-	-	38,874	38,874
Total liabilities	9,231,911	3,048,054	1,018,842	32,858	-	-	5,132,157	9,231,911
Net Liquidity Gap	**-**	**710,921**	**(462,807)**	**5,800,991**	**46,266**	**45,000**	**(3,462,726)**	**2,677,645**
Cumulative Liquidity Gap	**-**	**710,921**	**248,114**	**6,049,105**	**6,095,371**	**6,140,371**	**2,677,645**	**-**

in thousands of Malawi Kwacha

(b) Liquidity risk (Continued)

The previous table shows the undiscounted cash flows on the group's financial assets and liabilities on the basis of their expected maturities as opposed to their earliest possible contractual maturity 20% of demand deposits and overdrafts are classified in the up to one month category with the balance in the over 5 years category as the Group's expected cash flows on these instruments varies significantly from their contractual maturity profile.

The Reserve Bank of Malawi has issued the following guidelines on the management of liquidity:

- Liquidity Ratio 1: Net liquidity (total liquid assets less suspense accounts in foreign currency) divided by total deposits must be at least 30 percent.

- Liquidity Ratio 2: Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20 percent.

Liquidity Ratios 1 and 2 were as specified below:-

First Merchant Bank Limited	**31 December 2007**	31 December 2006
Liquidity Ratio I	**80.02%**	70.12%
Liquidity Ratio II	**77.38%**	68.95%
The Leasing and Finance Company Limited		
Liquidity Ratio I	**52.0%**	68.0%
Liquidity Ratio II	**52.0%**	68.0%

5 (c) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure and from external factors other than credit, liquidity, interest rate and market risks such as those arising from legal and regulatory requirements and the requirement to observe generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations.

The objective of the group is to manage operational risks so as to balance the avoidance of financial losses and damages to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each branch. The responsibility is supported by the development of overall standards in the group for the management of operational risks in the following areas:-

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

in thousands of Malawi Kwacha

5 (c) Operational risks (continued)

Compliance with group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the relevant Audit Committees.

5 (d) Capital management

Reserve Bank of Malawi sets and monitors the capital requirements for the group and requires the bank to maintain a minimum total capital of 10 percent of risk-weighted assets. The group's regulatory capital is analyzed in two parts:-

- Tier I capital, which includes paid-up share capital, share premium, retained earnings, and other reserves less investment in subsidiaries
- Tier II capital, which includes investment revaluation reserve, property revaluation reserve and loan loss reserve.

The calculation of both the above ratios is given below:-

	Group		Company	
	2007	2006	**2007**	2006
Tier 1 capital				
Share capital	**111,250**	111,250	**111,250**	111,250
Share premium	**514,035**	514,035	**514,035**	514,035
Retained earnings	**2,542,291**	1,307,497	**2,255,931**	1,119,677
Investment in unconsolidated subsidiaries	**-**	-	**(309,275)**	(65,911)
Investment in equities of financial institutions	**(50,947)**	(60,813)	**(50,947)**	(60,813)
	3,116,629	1,871,969	**2,520,994**	1,618,238
Tier 2 capital				
Reserves	**1,454,069**	926,119	**1,423,409**	902,640
Total regulatory capital	**4,570,698**	2,798,088	**3,944,403**	2,520,878
Risk weighted assets	**11,353,997**	9,857,223	**9,903,225**	8,366,005
Capital ratios				
Tier 1 capital expressed as a percentage of total risk-weighted assets	23.15	18.99	20.53	19.34
Total capital expressed as a percentage of total risk weighted assets.	40.26	28.37	39.83	30.13

5 (e) Market risk management policy

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the group income or the value of its holding of financial instruments. The objective of the group's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Investments in shares

The Board of Directors sets and regularly reviews exposure limits for investment in equity instruments. The performance of the equity market in general and the group's equity investments in particular are closely monitored and appropriate risk mitigation measures are implemented where necessary.

The group measures its investment in equities at fair value, with fair value changes recognized immediately in accordance with accounting policy (g).

in thousands of Malawi Kwacha

Interest Rate Risk

Interest Rate risk is the exposure of group's financial condition to adverse movements in interest rates. It basically arises from timing differences in the maturity of re-pricing of the group's assets and liabilities. Changes in interest rates can have adverse effects on the group's earnings and its economic value. The relevant Asset and Liability Committee (ALCO) monitors interest rate risk in the group. Interest rate sensitivity analyses as on the reporting date are set out below:-

Group
31 December 2007

			Fixed Rate Instruments					
	Zero rate	Floating rate	0-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	Total
Total assets	4,526,742	5,720,421	5,615,739	2,514,099	290,823	273,846	956,850	19,898,520
Total liabilities and shareholders funds	5,538,776	10,342,106	3,423,153	109,267	65,947	29,989	389,282	19,898,520
Interest sensitivity gap	**(1,012,034)**	**(4,621,685)**	**2,192,586**	**2,404,832**	**224,876**	**243,857**	**567,568**	**-**
Impact on profit of increase of interest rate								
1%	**-**	**(46,217)**	**26,205**	**24,458**	**2,661**	**2,701**	**9,569**	**19,376**
2%	**-**	**(92,434)**	**52,410**	**48,916**	**5,322**	**5,402**	**19,137**	**38,753**
3%	**-**	**(138,651)**	**78,614**	**73,374**	**7,983**	**8,103**	**28,706**	**58,129**
Impact on profit of decrease of interest rate								
1%	**-**	**14,059**	**(26,205)**	**(24,458)**	**(2,661)**	**(2,701)**	**(9,569)**	**(51,535)**
2%	**-**	**(33,102)**	**(52,410)**	**(48,916)**	**(5,322)**	**(5,402)**	**(19,137)**	**(164,289)**
3%	**-**	**(80,263)**	**(78,614)**	**(73,374)**	**(7,983)**	**(8,103)**	**(28,706)**	**(277,043)**

The effect on equity will be 70 percent of the above impact.

Company
31 December 2007

			Fixed Rate Instruments					
	Zero rate	Floating rate	0-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	Total
Total assets	4,387,777	5,720,421	5,027,328	1,949,332	-	-	95,000	17,179,858
Total liabilities and shareholders funds	5,400,852	10,342,106	1,407,353	29,547	-	-	-	17,179,858
Interest sensitivity gap	**(1,013,075)**	**(4,621,685)**	**3,619,975**	**1,919,785**	**-**	**-**	**95,000**	**-**
Impact on profit of increase of interest rate								
1%	**-**	**(46,217)**	**37,959**	**19,309**	**-**	**-**	**950**	**12,001**
2%	**-**	**(92,434)**	**75,918**	**38,617**	**-**	**-**	**1,900**	**24,001**
3%	**-**	**(138,651)**	**113,877**	**57,926**	**-**	**-**	**2,850**	**36,002**
Impact on profit of decrease of interest rate								
1%	**-**	**14,059**	**(37,959)**	**(19,309)**	**-**	**-**	**(950)**	**(44,159)**
2%	**-**	**(33,102)**	**(75,918)**	**(38,617)**	**-**	**-**	**(1,900)**	**(149,537)**
3%	**-**	**(80,263)**	**(113,877)**	**(57,926)**	**-**	**-**	**(2,850)**	**(254,916)**

in thousands of Malawi Kwacha

5 (e) Market risk management policy (Continued)

Effective interest rates of financial assets and liabilities

In the opinion of directors, the fair values of the group's financial assets and liabilities approximate the respective carrying amounts, due to the generally short period to contractual repricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the group at the balance sheet date.

The effective interest rates for the principal financial assets and liabilities at 31 December 2007 and 2006 were in the following ranges:-

	2007	2006
	%	%
Assets:		
Government securities	**8-9.50**	18-21
Deposits with banking institutions	**0.5-4**	0.75-6
Loans and advances to customers (base rate)	**19.5**	22.5
Liabilities:		
Customer deposits	**0.5-11**	1.5-19

Foreign Exchange Rate Risk Management

The responsibilities of the Integrated Treasury Department include monitoring of foreign exchange risk. Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. This involves the risks of the group incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books. The foreign exchange positions arise from the following activities:-

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unhedged position arising from customer driven foreign exchange transactions.
- holding foreign currency position in the bank books (e.g. in the form of loans, deposits, cross border investments, etc)
- Engaging in derivative transactions that are denominated in foreign currency for trading or hedging purposes.

The treasury department is responsible for:-

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy
- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

The ALCO regularly monitors the controls put in place by the treasury department, which are approved and reviewed by the board from time to time.

The group does not perform a sensitivity analysis on its foreign exchange exposure but manages its foreign exchange risk mainly by hedging assets in foreign exchange with liabilities in foreign exchange. The group's foreign exchange exposures at the reporting date were as follows:

in thousands of Malawi Kwacha

5. (e) Market risk management policy (Continued)

GROUP	2007 Assets	2007 Liabilities	2007 Net	2006 Assets	2006 Liabilities	2006 Net
USD	17,253	15,612	1,641	10,253	8,152	2,101
GBP	1,425	1,575	(150)	927	812	115
EUR	1,953	1,504	449	1,123	1,012	111
ZAR	1,719	95	1,624	1,652	80	1,572

COMPANY	2007 Assets	2007 Liabilities	2007 Net	2006 Assets	2006 Liabilities	2006 Net
USD	17,253	15,612	1,641	10,253	8,152	2,101
GBP	1,425	1,575	(150)	927	812	115
EUR	1,953	1,504	449	1,123	1,012	111
ZAR	1,719	95	1,624	1,652	80	1,572

6. Financial assets and liabilities

The estimated fair values (excluding accrued interest) of the group's financial assets and liabilities are summarised below:-

	Group 2007	Group 2006	Company 2007	Company 2006
Financial assets	**K'000**	K'000	**K'000**	K'000
Cash and cash equivalents	**4,782,997**	3,657,225	**4,363,225**	3,657,374
Money market investments	**5,059,572**	2,734,689	**3,929,274**	2,139,266
Loans and advances to customers	**5,826,047**	4,326,337	**5,754,910**	4,341,884
Leases and advances to customers	**1,301,092**	812,780	**-**	-
Investment securities	**1,625,683**	770,440	**1,625,683**	770,440
	18,595,391	12,301,471	**15,673,092**	10,908,964
Financial liabilities				
Deposits from banks	**152**	83,837	**-**	574,837
Deposits from customers	**13,888,493**	9,186,041	**11,779,006**	7,573,125
	13,888,645	9,269,878	**11,779,006**	8,147,962

7. Interest income

	Group 2007	Group 2006	Company 2007	Company 2006
Loans and advances	**1,019,147**	922,485	**1,002,554**	910,695
Lease finance	**240,421**	173,838	**-**	-
Treasury bills	**490,939**	403,453	**343,588**	306,548
Local registered stocks	**19,079**	15,075	**19,079**	15,075
Placements with other banks	**202,507**	97,961	**169,414**	94,850
Total interest income	**1,972,093**	1,612,812	**1,534,635**	1,327,168

8. Income from investments

	Group 2007	Group 2006	Company 2007	Company 2006
Dividend income	**58,627**	67,142	**58,627**	67,142
Increase in fair value of investments				
-Unrealised	**1,097,716**	488,057	**1,097,716**	488,057
-Realised	**201,983**	41,646	**201,983**	41,646
	1,358,326	596,845	**1,358,326**	596,845

in thousands of Malawi Kwacha

9. Other operating income

	Group		Company	
	2007	2006	**2007**	2006
	K'000	K'000	**K'000**	K'000
Profit on disposal of motor vehicles and equipment	**1,171**	1,652	**894**	587
Other	**959**	202	**443**	-
	2,130	1,854	**1,337**	587

10. Staff and training costs

	Group 2007	Group 2006	Company 2007	Company 2006
Salaries and wages	**610,945**	416,254	**580,266**	409,695
Training costs and other staff costs	**53,861**	51,902	**48,275**	38,460
Provision for severance pay	**60,871**	39,271	**55,283**	33,489
Contributions to defined contribution plans	**22,600**	11,036	**21,066**	10,183
	748,277	518,463	**704,890**	491,827

11. Other costs

	Group 2007	Group 2006	Company 2007	Company 2006
Other costs include:				
Auditor's remuneration				
- Current audit fees	**11,722**	10,200	**8,900**	7,400
- Under provision in previous year	**178**	2,500	**-**	2,500
- Other services and VAT	**4,194**	4,463	**3,715**	3,959
Director's remuneration	**104,941**	77,983	**104,776**	77,853

12. Income tax expense

Recognised in the income statement

	Group 2007	Group 2006	Company 2007	Company 2006
Current tax expense				
Current year at 30% (2006: 30%) based on profits	**305,364**	238,260	**264,966**	206,936
Prior periods under provision	**2,685**	9,116	**-**	9,116
Dividend tax expense	**5,600**	7,409	**5,600**	7,409
Deferred tax (credit)/expense				
Origination and reversal of temporary differences (Note 26)	**8,277**	3,548	**4,440**	4,907
Total income tax expense in income statement	**321,926**	258,333	**275,006**	228,368

Reconciliation of effective tax rate

	Group 2007	Group 2006	Company 2007	Company 2006
Profit before income tax	**2,314,883**	1,365,672	**2,169,343**	1,267,913
Income tax using the domestic corporation tax rate 30% (2006:30%	**694,465**	409,702	**650,803**	380,374
Non-deductible expenses	**13,513**	8,842	**12,824**	8,163
Tax exempt income	**(393,024)**	(175,933)	**(392,908)**	(175,933)
Tax incentives	**(1,313)**	(803)	**(1,313)**	(761)
Dividend tax	**5,600**	7,409	**5,600**	7,409
Underprovided in prior years	**2,685**	9,116	**-**	9,116
Total income tax expense in income statement	**321,926**	258,333	**275,006**	228,368

in thousands of Malawi Kwacha

13. Basic and diluted earnings per share

	Group 2007	Group 2006
Profit attributable to ordinary shareholders (K'000)	**1,992,602**	1,107,339
Weighted average number of ordinary shares in issue	**2,225,000,000**	2,120,821,918
Basic earnings per share (tambala)	**90**	52
Diluted earnings per share (tambala)	**90**	52

The weighted average number of ordinary shares in issue in the prior period includes the time weighted effect of the issue of 225 million new ordinary shares on 19th June 2006.

There are no dilutive potential ordinary shares.

14. Dividends

Last year's final dividend of MK133.5 million and an interim dividend for this year of MK333.75 million were declared and paid during the year.

15. Cash and cash equivalents

	Group 2007	Group 2006	Company 2007	Company 2006
Liquidity Reserve Deposits:				
- Reserve Bank of Malawi	**355,112**	369,987	**355,112**	369,987
- Registered discount houses	**102,000**	105,000	**102,000**	105,000
	457,112	474,987	**457,112**	474,987
Placements with other banks	**1,865,115**	124,000	**1,865,115**	124,000
Balances with banks abroad	**1,137,392**	2,544,246	**1,137,392**	2,544,246
Balances with local banks	**331**	671	**331**	671
Cheques in course of clearing	**310,322**	66,770	**310,322**	66,770
Cash balances	**1,012,725**	446,747	**592,953**	446,700
	4,782,997	3,657,421	**4,363,225**	3,657,374

16. Money market investment

	Group 2007	Group 2006	Company 2007	Company 2006
Malawi Government treasury bills	**4,964,240**	2,689,389	**3,834,274**	2,094,266
Local registered stocks	**95,332**	45,300	**95,000**	45,000
	5,059,572	2,734,689	**3,929,274**	2,139,266

The interest rate on local registered stock approximates the market interest rate and hence the cost approximates the fair value. All money market investments mature between 2 and 12 months except for local registered stocks which mature after 12 months.

in thousands of Malawi Kwacha

17. Loans and advances to customers

	Group		Company	
	2007	2006	**2007**	2006
Loans and advances are receivable as follows:				
Maturing within 3 months	**830,258**	290,739	**782,009**	296,306
Maturing between 3 and 12 months	**4,791,644**	4,331,093	**4,772,587**	4,309,545
Maturing after 12 months	**495,737**	14,738	**491,906**	46,266
	6,117,639	4,636,570	**6,046,502**	4,652,117
Segmental analysis by industry:				
Agriculture	**571,148**	175,386	**571,148**	175,386
Mining	**41,876**	44,797	**41,876**	44,797
Finance and insurance	**107,414**	86,528	**107,414**	104,819
Construction	**1,332,894**	435,338	**208,085**	434,675
Manufacturing	**208,085**	1,324,719	**1,332,894**	1,311,885
Wholesale and retail	**2,884,640**	2,185,731	**2,884,640**	2,209,573
Tourism and leisure	**235,403**	18,781	**253,423**	41,003
Transport	**228,568**	122,449	**228,568**	119,888
Others	**507,611**	242,841	**418,454**	210,091
	6,117,639	4,636,570	**6,046,502**	4,652,117
Specific allowances for impairment:				
Balance at 1 January	**(152,721)**	(120,278)	**(152,721)**	(120,278)
Charge for the year	**(80,879)**	(78,519)	**(80,879)**	(78,519)
Write offs	**36,242**	3,369	**36,242**	3,369
Recoveries	**7,548**	42,707	**7,548**	42,707
Balance at 31 December	**(189,810)**	(152,721)	**(189,810)**	(152,721)
Interest in suspense:				
Balance at 1st January	**(157,512)**	(99,230)	**(157,512)**	(99,230)
Charge for the year/recoveries	**55,730**	(58,282)	**55,730**	(58,282)
Balance at 31st December	**(101,782)**	(157,512)	**(101,782)**	(157,512)
Net loans and advances	**5,826,047**	4,326,337	**5,754,910**	4,341,884

The directors consider that the carrying amount of loans and advances approximates to their fair value. Impairment of loans and advances has been calculated as disclosed in note 5a.

in thousands of Malawi Kwacha

18. Finance leases

	Group 2007	Group 2006	Company 2007	Company 2006
Investment in finance leases, receivable:				
Less than one year	**501,890**	270,614	**-**	-
Between one and five years	**814,180**	552,557	**-**	-
More than five years	**11,360**	11,835	**-**	-
Balance at 31 December	**1,327,430**	835,006	**-**	-
Specific allowances for impairment:				
Balance at 1 January	**(14,990)**	(23,418)	**-**	-
Charge for the year	**(7,599)**	(2,595)	**-**	-
Write offs	**1,885**	3,638	**-**	-
Recoveries	**1,344**	7,385	**-**	-
Balance at 31 December	**(19,360)**	(14,990)	**-**	-
Interest in suspense:				
Balance at 1 January	**(7,236)**	(10,028)	**-**	-
Charge for the year /recoveries	**258**	2,792	**-**	-
Balance at 31 December	**(6,978)**	(7,236)	**-**	-
Net finance lease receivables	**1,301,092**	812,780	**-**	-

The directors consider that the carrying amount of lease receivables approximates to their fair value.

19. Other assets

	Group 2007	Group 2006	Company 2007	Company 2006
Dividends receivable	**-**	23,587	**-**	23,587
Items in transit	**5,857**	424	**5,857**	424
Interest receivable	**24,828**	24,861	**21,445**	24,829
Prepayments	**5,343**	3,987	**3,964**	3,987
Stock of stationery	**18,694**	11,491	**18,695**	11,491
Others	**32,509**	37,954	**31,858**	37,283
	87,231	102,304	**81,819**	101,601

20. Investments in listed companies

	Group 2007 Valuation	Group 2007 Cost	Group 2006 Valuation	Group 2006 Cost	Company 2007 Valuation	Company 2007 Cost	Company 2006 Valuation	Company 2006 Cost
Investments in listed Companies	1,625,683	127,990	770,440	147,515	1,625,683	127,990	770,440	147,515

All investments in quoted companies are held for trading. The increase in fair value is taken to income statement.

Movement during the year

	Group Valuation	Group Cost	Company Valuation	Company Cost
Balance at 1 January 2007	770,440	147,515	770,440	147,515
Shares bought during the year	61,551	61,551	61,551	61,551
Increase in fair value	1,097,716	-	1,097,716	-
Shares disposed of during the year	(304,024)	(81,076)	(304,024)	(81,076)
Balance at 31 December 2007	**1,625,683**	**127,990**	**1,625,683**	**127,990**

in thousands of Malawi Kwacha

		Shareholding		Company	
21.	**Investment in subsidiaries**				
	At cost	**2007**	2006	**2007**	2006
	The Leasing and Finance Company of Malawi Limited	**100%**	100%	**65,911**	65,911
	Capital Bank Limited	**51%**	-	**243,364**	-
	Total investment in subsidiaries			**309,275**	65,911

22. Property, plant and equipment

GROUP	Freehold property	Leasehold improvements	Motor vehicles	Equipment fixture & fittings	Capital work in progress	Total
Cost or valuation						
Balance at 1 January 2006	286,465	294,714	42,325	472,685	1,088	**1,097,277**
Additions	-	958	19,461	112,448	23,827	**156,694**
Transfers	-	-	-	6,297	(6,297)	**-**
Disposals	-	-	(4,778)	(24,098)	(3,593)	**(32,469)**
Balance at 31 December 2006	**286,465**	**295,672**	**57,008**	**567,332**	**15,025**	**1,221,502**
Depreciation and impairment losses						
Balance at 1 January 2006	-	25	21,469	230,577	-	**252,071**
Charge for the year	6,019	7,205	9,941	97,892	-	**121,057**
Realised on disposals	-	-	(3,021)	(23,051)	-	**(26,072)**
Balance at 31 December 2006	**6,019**	**7,230**	**28,389**	**305,418**	**-**	**347,056**
Cost or valuation						
Balance at 1 January 2007	286,465	295,672	57,008	567,332	15,025	**1,221,502**
Additions	4,066	-	9,760	93,739	120,938	**228,503**
Transfers	38,063	-	-	14,188	(52,251)	**-**
Revaluation Surplus	137,129	108,140	-	-	-	**245,269**
Disposals	(380)	-	(2,207)	(651)	-	**(3,238)**
Balance at 31 December 2007	**465,343**	**403,812**	**64,561**	**674,608**	**64,449**	**1,692,036**
Depreciation and impairment losses						
Balance at 1 January 2007	6,019	7,230	28,389	305,418	-	**347,056**
Charge for the year	5,951	6,839	10,776	115,140	-	**138,706**
Impairment loss/(reversal)	-	(436)	-	-	19,263	**18,827**
Elimination on Revaluation	(11,970)	(13,633)	-	-	-	**(25,603)**
Released on disposals	-	-	(2,206)	(642)	-	**(2,848)**
Balance at 31 December 2007	**-**	**-**	**36,959**	**419,916**	**-**	**476,138**
Carrying amount						
At 31 December 2007	**465,343**	**403,812**	**27,602**	**254,692**	**64,449**	**1,215,898**
At 31 December 2006	280,446	288,442	28,619	261,914	15,025	874,446

in thousands of Malawi Kwacha

22. Property, plant and equipment (Continued)

COMPANY	Freehold property	Leasehold improvements	Motor Vehicles	Equipment Fixture & fittings	Capital work in Progress	Total
Cost or valuation						
Balance at 1 January 2006	261,195	294,714	38,402	454,389	1,088	**1,049,788**
Additions	-	958	11,430	104,698	23,827	**140,913**
Transfers	-	-	-	6,297	(6,297)	**-**
Disposals	-	-	(1,189)	(12,916)	(3,593)	**(17,698)**
Balance at 31 December 2006	**261,195**	**295,672**	**48,643**	**552,468**	**15,025**	**1,173,003**
Accumulated depreciation						
Balance at 1 January 2006	-	25	19,637	216,576	-	**236,238**
Charge for the year	5,567	7,205	8,994	96,009	-	**117,775**
Realised on disposal	-	-	(1,188)	(12,902)	-	**(14,090)**
Balance at 31 December 2006	**5,567**	**7,230**	**27,443**	**299,683**	**-**	**339,923**
Cost or valuation						
Balance at 1st January 2007	261,195	295,672	48,643	552,468	15,025	**1,173,003**
Additions	4,066	-	2,356	91,544	80,651	**178,617**
Transfers	38,063	-	-	14,188	(52,251)	**-**
Revaluation Surplus	123,879	108,140	-	-	-	**232,019**
Disposals	-	-	(2,029)	(624)	-	**(2,653)**
Balance at 31 December 2007	**427,203**	**403,812**	**48,970**	**657,576**	**43,425**	**1,580,986**
Accumulated depreciation and impairment						
Balance at 1 January 2007	5,567	7,230	27,443	299,683	-	**339,923**
Charge for the year	5,567	6,839	8,659	112,918	-	**133,983**
Impairment (reversal)	-	(436)	-	-	19,263	**18,827**
Elimination on revaluation	(11,134)	(13,633)	-	-	-	**(24,767)**
Released on disposal	-	-	(2,028)	(624)	-	**(2,652)**
Balance at 31 December 2007	**-**	**-**	**34,074**	**411,977**	**19,263**	**465,314**
Carrying amount						
At 31 December 2007	**427,203**	**403,812**	**14,896**	**245,599**	**24,162**	**1,115,672**
At 31 December 2006	255,628	288,442	21,200	252,785	15,025	**833,080**

Registers of land and buildings giving details as required under the Companies Act 1984, Schedule 3, Section 16 are maintained at the registered office of the company and are open for inspection by members or their duly authorised agents.

The freehold properties and leasehold improvements were last revalued on 31st December 2007 by Don Whayo BSc MRICS MSIM of Knight Frank Malawi Limited, independent valuers, not connected with the group, on a market value basis. The resultant surplus of K270.872 million for the group and K256.786 million for the company were credited to revaluation reserve.

Capital work in progress represents development costs on the bank's various branches.

in thousands of Malawi Kwacha

		Group		Company	
23.	**Liabilities to customers**	**2007**	2006	**2007**	2006
	Interest bearing deposits	**13,888,493**	9,186,041	**11,779,006**	7,573,125
	Payable as follows:				
	Maturing within 3 months	**13,668,073**	8,481,449	**11,678,117**	7,540,266
	Maturing between 3 and 12 months	**220,420**	704,592	**100,889**	32,859
		13,888,493	9,186,041	**11,779,006**	7,573,125

For information about interest rates refer to note 5.

24.	**Other payables**				
	Interest payable	**7,504**	12,016	**7,504**	12,016
	Bankers cheques issued and uncleared	**172,380**	39,590	**170,608**	37,604
	Margins on letters of credit and forward contracts	**300,333**	446,302	**300,333**	446,302
	Bills payable	**51,289**	41,310	**51,289**	41,310
	Creditors	**255,527**	374,371	**255,527**	374,371
	Accrued expenses	**90,348**	54,955	**76,328**	47,962
	Others	**6,504**	2,941	**1,504**	855
		883,885	971,485	**863,093**	960,420
25.	**Provisions**				
	Severance allowance	**106,610**	44,656	**95,240**	38,874

In terms of the current interpretation by the courts of the Employment Act, severance allowance is payable in full to employees on termination of employment by mutual agreement, death, retirement, voluntary retirement, retrenchment or redundancy without allowing any set off of employer's pension scheme contributions against severance allowance due.

In preparing the financial statements, the directors have considered the matter and have prepared these financial statements on the basis of the existing interpretation of the law. The amount has not been subject to actuarial valuation as in the directors' opinion, it represents the best estimate based on assumptions.

in thousands of Malawi Kwacha

26. Deferred tax liabilities

		Assets		Liabilities		Net	
		2007	2006	**2007**	2006	**2007**	2006
(i)	**GROUP**						
	Property and equipment	**(16,234)**	(5,549)	**-**	-	**(16,234)**	(5,549)
`	Accrued income	**-**	-	**71,246**	34,085	**71,246**	34,085
	Revaluation of property	**-**	-	**49,138**	20,293	**49,138**	20,293
	Revaluation on investments	**-**	-	**7,796**	4,677	**7,796**	4,677
	Gratuity and severance pay provisions	**(34,715)**	(13,397)	**-**	-	**(34,715)**	(13,397)
	Tax (assets)/liabilities	**(50,949)**	(18,946)	**128,180**	59,055	**77,231**	40,109
(ii)	**COMPANY**						
	Property and equipment	**(17,615)**	(7,183)	**-**	-	**(17,615)**	(7,183)
	Accrued income	**-**	-	**57,908**	26,513	**57,908**	26,513
	Revaluation of property	**-**	-	**44,548**	17,698	**44,548**	17,698
	Revaluation of investments	**-**	-	**7,796**	4,677	**7,796**	4,677
	Gratuity and severance pay provisions	**(31,304)**	(11,662)	**-**	-	**(31,304)**	(11,662)
	Tax (assets)/liabilities	**(48,919)**	(18,845)	**110,252**	48,888	**61,333**	30,043

Movements in temporary differences during the year

GROUP

	Opening balance	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
2006				
Property and equipment	(3,586)	(1,963)	-	(5,549)
Accrued income	19,814	14,271	-	34,085
Revaluation of property	27,794	-	(7,501)	20,293
Revaluation of investments	1,593	3,084	-	4,677
Gratuity and severance pay provisions	(1,553)	(11,844)	-	(13,397)
	44,062	3,548	(7,501)	40,109
2007				
Property and equipment	**(5,549)**	**(10,685)**	**-**	**(16,234)**
Accrued income	**34,085**	**37,161**	**-**	**71,246**
Revaluation of property	**20,293**	**-**	**28,845**	**49,138**
Revaluation of investments	**4,677**	**3,119**	**-**	**7,796**
Gratuity and severance pay provisions	**(13,397)**	**(21,318)**	**-**	**(34,715)**
	40,109	**8,277**	**28,845**	**77,231**

in thousands of Malawi Kwacha

26. Deferred tax liabilities (Cont'd)

COMPANY

	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
2006				
Property and equipment	(3,387)	(3,796)	-	(7,183)
Accrued income	10,785	15,728	-	26,513
Revaluation of property	23,547	-	(5,849)	17,698
Revaluation of investments	1,593	3,084	-	4,677
Gratuity and severance pay provisions	(1,553)	(10,109)	-	(11,662)
Tax (assets)/liabilities	30,985	4,907	(5,849)	30,043

Property and equipment	**(7,183)**	**(10,432)**	**-**	**(17,615)**
Accrued income	**26,513**	**31,395**	**-**	**57,908**
Revaluation of property	**17,698**	**-**	**26,850**	**44,548**
Revaluation of investments	**4,677**	**3,119**	**-**	**7,796**
Gratuity and severance pay provisions	**(11,662)**	**(19,642)**	**-**	**(31,304)**
Tax (assets)/liabilities	**30,043**	**4,440**	**26,850**	**61,333**

27 (a). Share capital

	2007	2006
Authorised, issued and fully paid 2,225,000,000 ordinary shares of 5 tambala each	**111,250**	111,250

On 15th May 2006 the authorised share capital of the company was restructured by converting each existing authorised and issued ordinary share of 100 tambala each into 20 ordinary shares of 5 tambala each and increasing the authorised capital by the creation of a further 25,000,000 ordinary shares of 5 tambala each.

27 (b). Share premium

On 19th June 2006, following an offer to the public, 225,000,000 ordinary shares of 5 tambala each were allotted at a premium of 245 tambala per share.

The resultant premium on issue of MK551,250,000 less offer expenses of MK37,215,000 was credited to share premium account.

28. Property revaluation reserve

This represents the increase in fair value of property, plant and equipment net of the related deferred taxation provision and is not available for distribution to the Bank's shareholders.

29. Investment revaluation reserve

This represents the unrealized increase in fair value of investments at fair value through profit and loss net of the related deferred taxation provision and is not available for distribution to the Bank's shareholders.

in thousands of Malawi Kwacha

30. Loan loss reserve

Arising from the changes to IAS 39: Financial Instruments: Recognition and Measurement, the 1% general provision against risk assets as required by the Reserve Bank of Malawi may no longer be offset against the gross value of the assets.

In order to comply with Reserve Bank of Malawi capital adequacy requirements, a statutory loan loss reserve has been created. The portion of the loan loss reserve which relates to this statutory requirement and is non distributable amounts to K50 million as at 31 December 2007. The remaining balance of the loan loss reserve should be regarded as distributable.

31. Contingencies

	Group		Company	
	2007	2006	**2007**	2006
Letters of credit	**785,330**	917,537	**785,330**	917,537
Guarantees and performance bonds	**3,339,511**	1,486,536	**3,339,511**	1,486,536
	4,124,841	2,404,073	**4,124,841**	2,404,073

Contingencies in respect of letters of credit will only crystallise into an asset and a liability when bills are presented in accordance with the terms and conditions of payment of the individual letters of credit.

Contingencies in respect of guarantees and performance bonds issued will only crystallise into an asset and a liability in the event of default by the relevant counterparty.

32. Related party transactions

The Group transacts part of its business with related parties including directors and parties related to or under the control of the directors. Details of related party transactions of the Group are set out below:

	Directors and their related parties	Employees	FMB Pension Fund	Total
2006				
Advances	19,448	86,232	-	105,680
Deposits	(51,510)	(16,804)	(11,436)	(79,750)
Net balances	(32,062)	69,428	(11,436)	25,930
Interest received	4,175	7,032	-	11,207
Fees and commission received	260	64	-	324
Interest paid	(2,128)	(215)	(2,004)	(4,347)
Operating expenditure	(2,137)	-	-	(2,137)
Capital expenditure	(912)	-	-	(912)
2007				
Advances	**381**	**120,864**	**-**	**121,245**
Deposits	**(17,979)**	**(21,692)**	**(4,586)**	**(44,257)**
Net balances	**(17,598)**	**99,172**	**(4,586)**	**76,988**
Interest received	**1,497**	**7,486**	**-**	**8,983**
Fees and commission received	**132**	**-**	**20**	**152**
Interest paid	**(185)**	**(169)**	**(17)**	**(371)**
Operating expenditure	**(3,725)**	**-**	**-**	**(3,725)**
Capital expenditure	**(6,545)**	**-**	**-**	**(6,545)**

Advances to directors and parties related thereto are considered to be adequately secured.

in thousands of Malawi Kwacha

32. Related party transactions (Cont'd)

Advances to employees include **MK2,975,000** (2006: MK3,480,000) of interest free advances and **MK73,065,000** (2006: MK35,516,000) of advances which carry interest at one quarter of the prevailing prime lending rate of the Bank. All other transactions with related parties are carried out on an arms length basis on normal commercial terms.

In accordance with the Group's accounting policy, advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged by the Bank on similar loans to non-related parties. As a result an allowance for impairment losses of **MK2,380,000** (2006: MK23,851,000) has been made against concessionary advances to related parties. No other impairment losses have been recorded against loans to related parties.

Details of related party transactions between the Bank and its wholly owned subsidiary, The Leasing and Finance Company of Malawi Limited, which have been eliminated on consolidation, are as follows:

	2007	2006
	MK'000	MK'000
Deposits by LFC with FMB	**6,972**	-
Loan syndications	**18,020**	49,894
Fees and commissions received	**1,770**	1,684
Interest received	**3,191**	2,289
Interest paid	**(7,217)**	(32,273)

Key management personnel compensation:

	Executive Directors		**Non-Executive Directors**	
	2007	2006	**2007**	2006
Salaries	**43,406**	32,535	**-**	-
Bonuses	**37,000**	24,500	**-**	-
Gratuity payments	**-**	6,318	**-**	-
Fees	**-**	-	**24,370**	14,500
	80,406	63,353	**24,370**	14,500

In addition to their salaries, the Group also provides non-cash benefits to executive directors. The estimated value of total non-cash benefits to directors amounts to **MK7.134 million** (2006: MK6.6 million).

Directors' interests

As at 31 December 2007, the total direct and indirect interests of the directors and parties related thereto in the issued share capital of the company were as follows:

R. C. Kantaria	1,000,000,000 ordinary shares
H. N. and N. G. Anadkat	1,000,000,000 ordinary shares
K. N. Chaturvedi	2,328,000 ordinary shares
J. M. O'Neill	4,000,000 ordinary shares
S. Srinivasan	2,000,000 ordinary shares

in thousands of Malawi Kwacha

33. Capital commitments	Group 2007	Group 2006	Company 2007	Company 2006
Capital expenditure				
Authorised and contracted	**11,801**	31,335	**11,801**	31,335
Authorised but not contracted	**154,000**	4,250	**154,000**	-
	165,801	35,585	**165,801**	31,335

34. Statutory requirements

In accordance with Section 27 of the Banking Act 1989, the Reserve Bank of Malawi has established the following requirements as at the balance sheet date:

(i) Liquidity Reserve Requirement

The Bank is required to maintain a liquidity reserve as defined by the Reserve Bank of Malawi, calculated on a weekly average basis, of not less than 15.5% (2006: 20.0%) of the preceding weeks total deposit liabilities. In the last week of December 2007, the liquidity reserve was 21.8% (2006: 21.3%) of total customer deposits.

(ii) Capital Adequacy Requirement

The Bank's available capital is required to be a minimum of 10% of its risk bearing assets and contingent liabilities. At 31 December 2007, the Bank's available capital was 20.53% (2006: 19.34%) of its risk bearing assets and contingent liabilities.

35. Exchange rates and inflation

The average of the year-end buying and selling rates of the major foreign currencies most affecting the performance of the group are stated below, together with the increase in the National Consumer Price Index, which represent an official measure of inflation.

Exchange rates	2007 MK	2006 MK	2005 MK
Kwacha/GBP	**285.9**	279.8	215.9
Kwacha/Rand	**21.1**	20.5	19.8
Kwacha/US Dollar	**140.3**	139.3	123.8
Kwacha/Euro	**209.7**	186.6	148.4
Inflation rate %	**8.4**	13.9	15.4

At the time of signing these financial statements the exchange rates had moved to:

Kwacha/GBP	**281.6**
Kwacha/Rand	**18.6**
Kwacha/US Dollar	**140.5**
Kwacha/Euro	**210.9**

in thousands of Malawi Kwacha

36. Segmental Reporting

Business Segments

The primary business of the Group is retail and corporate banking including the acceptance of current, savings and term deposits and the provision of loans, overdrafts and lease finance. The Group's treasury activities include trading in financial instruments and dealing in foreign currency are considered to be an integral part of the Group's retail and corporate banking operations. Other operations of the Group which include fund management and corporate advisory services are not significant in the context of the Group's operations as a whole.

Geographical segment

From 2007 the group conducts its business operations in Malawi and Botswana.

Group	Malawi	Botswana	Consolidated
External interest income	1,949,380	22,713	1,972,093
Segment result before tax	2,313,898	985	2,314,883
Segment assets	19,425,504	473,016	19,898,520
Segment liabilities	15,043,828	3,326	15,047,154
Capital expenditure	179,708	48,795	228,503

37. Subsequent events

Subsequent to the balance sheet date no events have occurred necessitating adjustments to or disclosures in the financial statements.

analysis of shareholders

for the year ended 31st December 2007

BY CATEGORY	Shares		Holders	
INVESTMENT COMPANIES	1,006,500,194	45.24%	24	1.16%
LOCAL COMPANIES	529,061,707	23.78%	65	3.15%
FOREIGN COMPANIES	513,780,310	23.09%	8	0.39%
CITIZEN RESIDENT INDIVIDUALS	109,867,118	4.94%	1,644	79.77%
EMPLOYEES	19,745,000	0.89%	241	11.69%
PENSION FUNDS	15,805,149	0.71%	13	0.63%
INSURANCE COMPANIES	11,826,054	0.53%	5	0.24%
NOMINEES LOCAL	5,498,462	0.25%	15	0.73%
NON RESIDENTS	5,088,106	0.23%	22	1.07%
DIRECTORS	4,328,000	0.19%	2	0.10%
NOMINEES FOREIGN	1,400,000	0.06%	1	0.05%
OTHER ORGANISATIONS	1,023,900	0.05%	8	0.39%
LEASING AND FINANCE	959,000	0.04%	12	0.58%
OTHER RESIDENT INDIVIDUALS	117,000	0.01%	1	0.05%
TOTALS	**2,225,000,000**	**100.00%**	**2,061**	**100%**

BY COUNTRIES OF RESIDENCE	Shares		Holders	
MALAWI	1,708,212,834	76.77%	2,034	98.69%
KENYA	500,605,881	22.50%	3	0.15%
BERMUDA	10,376,360	0.47%	2	0.10%
PORTUGAL	2,224,000	0.10%	8	0.39%
ZIMBABWE	1,400,400	0.06%	2	0.10%
UNITED KINGDOM	1,025,739	0.05%	6	0.29%
USA	605,775	0.03%	3	0.15%
DUBAI (UNITED ARAB EMIRATES)	413,738	0.02%	1	0.05%
BOTSWANA	115,473	0.01%	1	0.05%
CAYMAN ISLANDS	19,800	0.00%	1	0.05%
TOTALS	**2,225,000,000**	**100.00%**	**2,061**	**100.00%**

SHARE HOLDING DISTRIBUTION:	Shares		Holders	
1 - 5000	1,387,017	0.06%	361	17.52%
5001 - 10000	2,935,728	0.13%	342	16.59%
10001 - 25000	7,456,108	0.34%	420	20.38%
25001 - 50000	11,995,331	0.54%	300	14.56%
50001 - 100000	21,704,069	0.98%	258	12.52%
100001 - 200000	26,982,110	1.21%	159	7.71%
200001 - 500000	49,407,397	2.22%	150	7.28%
500000 - 1000000	25,211,962	1.13%	38	1.84%
1000000 +	2,077,920,278	93.39%	33	1.60%
	2,225,000,000	**100.00%**	**2,061**	**100.00%**

addresses

HEAD OFFICE

Livingstone Towers, Glyn Jones Road,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 821 955/ 01 821 942/
01 821 943/01 824 840/ 01 824 889
Fax: +265 01 821 978
Telex: 45313 FMBMALAWI
e-mail: fmb.headoffice@fmbmalawi.com

INTERNATIONAL BANKING DEPARTMENT

Livingstone Towers, Glyn Jones Road,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 822 949/ 01 823 188/01 823 525
Fax: +265 01 821 332Telex: 45313 FMBMALAWI
e-mail: fmb.headoffice@fmbmalawi.com

CAPITAL MARKET DIVISION

Blantyre

Livingstone Towers, Glyn Jones Road,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 823 950/ 01 822 150
Fax: +265 01 820 314
e-mail: fmb.headoffice@fmbmalawi.com

BLANTYRE BRANCH

First House, Glyn Jones Road,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 824 594/ 01 822 648/
01 822 759/ 01 822 686
Fax: +265 01 822 737
Telex: 43170 FMBMALAWI
e-mail: fmb.blantyre@fmbmalawi.com

LIMBE BRANCH

First Merchant Bank Building, Churchill Road,
P.O. Box 51938, Limbe, Malawi
Tel: +265 01 842 324/ 01 842 418
01 842 396/ 01 842 425
Fax: 265 01 842 458
e-mail: fmb.limbe@fmbmalawi.com

LILONGWE BRANCH

Old Kandodo Building, Kamuzu Procession Road,
Private Bag 85, Lilongwe, Malawi
Tel: +265 01 755 388/ 01 755 851
01 753 570/ 01 753 470/ 01 753 668
Fax: 265 01 753 830
Telex: 43099 FMBMALAWI
e-mail: fmb.lilongwe@fmbmalawi.com

MZUZU BRANCH

Old Malawi Savings Bank Building,
Orton Chirwa Avenue, Private Bag 158,
Mzuzu, Malawi
Tel: +265 01 334 214/ 01 334 455/
01 334 817
Fax: 265 01 333 891
Telex: 44615 FMBMALAWI
e-mail: fmb.mzuzu@fmbmalawi.com

CAPITAL CITY BRANCH

Chief M'mbelwa Building, Robert Mugabe Crescent,
P O Box 30890, Capital City, Lilongwe 3,
Malawi
Tel: +265 01 775 081/ 01 775 082/
01 772 606/ 01 772 693
Fax: 265 01 774 490
e-mail: fmb.capitalcity@fmbmalawi.net

FIRST CORPORATE SERVICES BRANCH

Livingstone Towers, Glyn Jones Road,
Private Bag 122, Blantyre,
Malawi
Tel: +265 01 822 949/01 823 084/01 823 325/01 823 189
Fax: +265 01 822 218
E-mail: fcs.blantyre@fmbmalawi.com

ZOMBA BRANCH

Kamuzu Highway,
P.O. Box 314, Zomba,
Malawi
Tel: +265 01 527 268
Fax: +265 01 527 288

E-mail address: fmb.zomba@fmbmalawi.com

CHICHIRI MALL AGENCY

Chichiri Shopping Mall, Chipembere Highway,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 6874 281
Fax: +265 01 874 348
E-mail address: fmb.Limbe@fmbmalawi.com

CROSSROADS MALL AGENCY

Crossroads Mall, Kamuzu Procession Road,
P. O. Box 85, Lilongwe, Malawi.
Tel: +265 01 752 090
Fax: +265 01 751 660
E-mail address: fmb.Lilongwe@fmbmalawi.com

LIMBE AUCTION FLOORS AGENCY

Auction Floors
P.O. Box 51938, Limbe
Tel/Fax: +265 01 840676
E-mail address: fmb.limbe@fmbmalawi.com

KANENGO AGENCY

Auction Floors, P.O. Box 30890,
Capital City, Lilongwe 3
Tel/Fax: +265 01 710 349
E-mail address: fmb.capitalcity@fmbmalawi.com

DWANGWA AGENCY

P.O. Box 19,
Dwangwa
Tel: +265 01 295309/01 295 300
Fax: +265 01 295 300

LEASING AND FINANCE COMPANY OF MALAWI

Blantyre
Livingstone Towers, Glyn Jones Road,
Private Bag 122, Blantyre, Malawi
Tel: +265 01 820 757/ 01 820 233
Fax: +265 01 820 275
e-mail: lfc@lfcmalawi.com

Lilongwe
Chief M'mbelwa Building, Robert Mugabe Crescent,
P O Box 30890, Capital City, Lilongwe 3,
Malawi
Tel: +265 01 773 777/ 01 773 567
Fax: 265 01 771 567
e-mail: lilolfc@lmalawi.com

Head Office of First Merchant Bank and The Leasing and Finance Company of Malawi
at
Livingstone Towers, Blantyre