

	GROUP		COMPANY	
	31-Dec-11 K'm	31-Dec-10 K'm	31-Dec-11 K'm	31-Dec-10 K'm
STATEMENTS OF COMPREHENSIVE INCOME				
Interest income	9,116	7,994	9,089	7,989
Interest expense	(956)	(1,153)	(956)	(1,150)
Net interest income	8,160	6,841	8,133	6,839
Other income	5,561	4,439	5,526	4,334
Net income	13,721	11,280	13,659	11,173
Operating expenses	(8,375)	(6,322)	(8,299)	(6,185)
Profit before recoveries on impaired loans and advances	5,346	4,958	5,360	4,988
Net recoveries(expense) on impaired loans and advances	(110)	120	(110)	120
Profit before taxation	5,236	5,078	5,250	5,108
Taxation	(1,678)	(1,649)	(1,671)	(1,636)
Profit after tax	3,558	3,429	3,579	3,472
Other Comprehensive Income				
Gains on Property valuations	706	339	706	339
Deferred tax on previously revalued assets	(70)	(240)	(70)	(240)
Other Comprehensive Income net of tax	636	99	636	99
Total Comprehensive Income for the period	4,194	3,528	4,215	3,571
Profit attributable to shareholders				
Owners of the Parent	3,558	3,447		
Non-Controlling Interest (Minorities)	0	(18)		
	3,558	3,429		
Comprehensive income attributable to shareholders				
Owners of the Parent	4,194	3,546		
Non-Controlling Interest (Minorities)	0	(18)		
	4,194	3,528		

DIVIDENDS PAID				
Interim	840	700	840	700
Final (for prior year)	1,251	1,250	1,251	1,250
Total	2,091	1,950	2,091	1,950

Earnings per share (Kwacha)	7.62	7.39		
Dividend per share (Kwacha)	4.48	4.18		
Number of ordinary shares in issue (millions)	467	467		

STATEMENTS OF FINANCIAL POSITION				
LIABILITIES & EQUITY				
Liabilities to customers	66,751	59,023	66,758	59,030
Other liabilities	9,655	10,200	9,622	10,116
Equity attributable to equity holders of the parent company	15,696	13,577	15,723	13,583
Minority interest	7	7	-	-
Total liabilities and equity	92,109	82,807	92,103	82,729

ASSETS				
Cash and funds with Reserve Bank of Malawi	8,155	5,474	8,153	5,474
Government of Malawi Treasury Bills	5,969	2,854	5,969	2,854
Reserve Bank of Malawi bill bonds	1,093	1,074	1,093	1,073
Government of Malawi Local Registered Stocks	467	543	467	543
Equity investments	695	884	683	864
Investment in associate	196	202	123	123
Placements with other banks	8,753	9,515	8,753	9,515
Loans and advances to customers	46,573	42,529	46,588	42,529
Other money market deposits	1,009	437	1,000	370
Assets held for sale	454	-	454	-
Other assets	4,201	5,636	4,306	5,728
Property, plant and equipment	12,685	12,359	12,655	12,356
Intangible assets	1,442	1,293	1,442	1,293
Deferred tax assets	417	7	417	7
Total assets	92,109	82,807	92,103	82,729

Memorandum items				
Contingent liabilities	4,215	2,434	4,215	2,434

STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period	13,577	11,946	13,583	11,927
Net profit for the period	3,558	3,447	3,579	3,472
Dividends paid	(2,091)	(1,950)	(2,091)	(1,950)
Surplus on revaluation of property	706	339	706	339
Deferred tax on revalued assets	(70)	(240)	(70)	(240)
Other movements (net)	16	35	16	35
As at end of period	15,696	13,577	15,723	13,583

STATEMENTS OF CASH FLOWS				
Cash flows from operating activities				
Profit before tax	5,236	5,078	5,250	5,108
Adjustments for:				
Depreciation	1,320	1,004	1,318	1,002
Fair value (profit)/loss on equity investments	(36)	41	(35)	36
Profit on disposal of fixed assets	(14)	(124)	(14)	(124)
(Profit)/Loss on disposal of equity investments	1	(3)	2	0
Dividends received	(40)	(62)	(39)	(60)
Share of profits of associate	(1)	(41)	-	-
impairment loss on property	1,491	(42)	1,491	(42)
Increase in operating assets	(2,612)	(6,020)	(2,626)	(6,083)
Increase in operating liabilities	5,218	4,125	5,267	4,118
Cash generated from operating activities	10,563	3,956	10,614	3,955
Tax paid	(1,228)	(2,017)	(1,228)	(2,017)
Net cash from operating activities	9,335	1,939	9,386	1,938
Net cash inflow from investing activities	(5,829)	1,921	(5,826)	1,855
Net cash used in financing activities	(2,075)	(1,915)	(2,075)	(1,915)
Net increase/(decrease) in cash and cash equivalents	1,431	1,945	1,485	1,878
Cash and cash equivalents at beginning of the period	13,613	11,668	13,546	11,668
Cash and cash equivalents at end of the period	15,044	13,613	15,031	13,546

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

Sector	31st Dec 2011			31st Dec 2010		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
	K'm	K'm	K'm	K'm	K'm	K'm
Agriculture, Forestry, Livestock and Fishing	17,158	57	33	13,977	4	1
Manufacturing	10,161	36	22	2,848	87	77
Mining and Quarrying	2	-	1	7,118	158	1
Construction and Engineering	884	72	8	192	27	15
Emergy/Electricity, Gas, Air conditioning, Water supply & Waste management	995	5	63	97	0	0
Transport/Storage	308	65	50	483	330	28
Communication	2,661	0	1	2,702	0	0
Financial/Insurance/Professional/Scientific & Technical services	51	1	0	36	0	0
Wholesale/Retail	551	133	58	3,249	147	121
Individual/Households	137	5	1	3,461	15	6
Real Estate	5,109	0	0	873	1	0
Tourism	1,361	4	0	174	9	2
Other	7,580	199	133	7,670	155	100
TOTAL	46,958	577	370	42,880	933	351

CREDIT CONCENTRATION

Total Credit Facilities including guarantees, acceptances and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of core capital.

SECTOR OF BORROWER	31st Dec 2011		31st Dec 2010	
	K'm	% OF CORE CAPITAL	K'm	% OF CORE CAPITAL
AGRICULTURE	17,080	151%	13,977	142%
COMMUNICATION	2,540	23%	2,848	29%
REAL ESTATE	3,183	28%	N/A	

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	31st Dec 2011	31st Dec 2010
	K'm	K'm
DIRECTORS:		
Balance at beginning of year	17	2
Loans granted during the year	36	17
Repayments	(9)	(2)
Balance at end of year	44	17
OTHER RELATED PARTIES:		
Balance at beginning of year	3,591	2,433
Loans granted during the year	98	648
Repayments	(245)	(511)
Balance at end of year	3,934	3,591
SENIOR MANAGEMENT OFFICIALS:		
Balance at beginning of year	179	76
Loans granted during the year	46	75
Repayments	64	(28)
Balance at end of year	161	179

INVESTMENTS IN SUBSIDIARIES

Name of Subsidiary	Percentage Holding
NBM Capital Markets Limited	100%
NBM Securities Limited	100%
National Bank of Malawi Nominees Limited	100%
NBM Bureau De Change	100%
Stockbrokers Malawi Limited	75%

LENDING RATES

	31st Dec 2011	31st Dec 2010
Malawi Kwacha facilities		
Base Lending Rate	17.75%	17.75%
Lending Rate Spread	-3% to +6%	-3% to +6%
Foreign Currency facilities	7% to 9%	7% to 9%

DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	31st Dec 2011	31st Dec 2010
	K'm	K'm
Directors Remuneration	96	106
Total Bonuses Paid by the Bank	438	250
Management Fees	Nil	Nil

DEPOSIT RATES

Type of Deposit	31st Dec 2011	31st Dec 2010
	Rate %	Rate %
Malawi Kwacha		
Current Account	0.10	0.10
Savings	2.50	2.50
Special savings	0.50	0.50
Savings Bond	7.00	7.00
7 Day Call	1.75	1.75
30 Day Call	2.75	2.75
2 Months	1.50	3.50
3 Months	3.25	3.25
6 Months	3.00	3.00
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable
Foreign Currency Denominated Accounts (FCDA's)		
USD	0.50	0.50
GBP	1.75	1.75
ZAR	4.00	4.00
EUR	0.50	0.50

PERFORMANCE

The Board is pleased to report a group pre-tax profit of K5.2b (2010: K5.1b). This performance is in spite of the Bank having absorbed a one-off fair value loss of K1.7b in respect of the new Business Centre and Office Complex. The solid result against such a major write-off demonstrates the resilience of the Bank to material shocks.

The operating environment was a challenging one, characterised by poor tobacco prices, an officially declared off-track IMF Programme and an accompanying freeze of donor budgetary support, underpinned by an overvalued currency. Consequently, there were acute shortages of foreign exchange, a backlog of import remittances and an unprecedented challenge to fuel and energy supplies, which had a significant negative impact on the performance of most of the Bank's customers. These events resulted in substantial idle capacity and a downgrading of country risk by correspondent banks leading to underutilisation of Bank products and services than would otherwise be the case.

Despite this fragile environment, the underlying performance remains very strong. The Bank registered a 13% growth in both total earning assets and customer deposits.

The Bank's new Business Centre and Office Complex was completed and occupied in December 2011. This investment is expected to improve the Bank's operating efficiencies, optimise deployment of the Bank's human resources and realisation of synergies now that all head office divisions and business units are housed in one place and are able to share resources. In line with Bank policy on Property, that requires carrying amounts to be at fair value, the new Complex which had hitherto been carried at cost as capital work in progress was fair valued as at 31st December 2011, resulting in a fair value loss of K1.7b which was charged against the year's profit.

DIVIDEND

An interim dividend of K840m (2010: K 700m) was paid in September, 2011 in addition to a final dividend of K1.251b in respect of 2010 profits. In total the dividend paid out in 2011 amounted to K2.09b. The Board has resolved to recommend to the shareholders payment of a final dividend amounting to K1.261b representing K2.70 per share. The dividend will be payable after the Annual General Meeting which will be held in June 2012.

OUTLOOK

Preliminary estimates point to a considerable slowdown in GDP growth rate as adverse foreign exchange, fuel and donor conditions are expected to persist. This will have unfavourable effects on jobs, manufacturing output and trading generally. The expanding parallel foreign exchange market will continue to crowd-out legitimate foreign exchange business conducted at banks. The persistence of the parallel market together with the rise in world oil prices will continue to exert pressure on inflation. However, a strong showing in growth is still expected in the telecommunications and construction sectors.

The recent introduction of VAT on bank charges will negatively impact the Bank's financial inclusion expansion initiatives. It is already evident that the introduction of this tax has had a noticeable adverse effect on the benefiting communities.

In response to the envisaged 2012 tough operating environment, the Bank will focus on taking advantage of its talent base, combined with its superior infrastructure and IT delivery platforms to increase its market share.

BY ORDER OF THE BOARD


G. B. Partridge, Director


Dr. M. A. P. Chikaonda, Chairman

29th March 2012

Registered Office:
7 Henderson Street,
BLANTYRE

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARISED FINANCIAL STATEMENTS TO THE MEMBERS OF NATIONAL BANK OF MALAWI AND ITS SUBSIDIARIES.

The accompanying summarised financial statements, which comprise the summarised statement of financial position as at 31 December 2011 and the summarised statement of comprehensive income, for the year then ended, are derived from the audited financial statements of National Bank of Malawi and its subsidiaries for the year ended 31 December 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 29th March 2012. Those financial statements, and the summarised financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of National Bank of Malawi and its subsidiaries.

Directors' Responsibility for the summarised Financial Statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

Auditor's Responsibility

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

Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of National Bank of Malawi and its subsidiaries for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act, 2010, and the Banking Act, 2009.



Public Accountants
Blantyre, Malawi
Date: 29th March 2012