

National Bank of Malawi

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

	GROUP		COMPANY	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
	K'm	K'm	K'm	K'm
INCOME STATEMENTS				
Interest income	5,109	4,180	5,097	4,035
Interest expense	(1,060)	(845)	(1,060)	(793)
Net interest income	4,049	3,335	4,037	3,242
Other income	2,595	1,910	2,631	1,868
Net income	6,644	5,245	6,668	5,110
Operating expenses	(3,744)	(2,794)	(3,686)	(2,705)
Profit before impairment losses on loans and advances	2,900	2,451	2,982	2,405
Net recoveries / (losses) on impaired loans and advances	32	(314)	32	(308)
Profit before taxation	2,932	2,137	3,014	2,097
Taxation	(958)	(699)	(949)	(684)
Profit after taxation	1,974	1,438	2,065	1,413
Minority interest	(5)	(3)	-	-
Profit attributable to shareholders	1,969	1,435	2,065	1,413
DIVIDENDS PAID				
Interim	342	260	342	260
Final (prior year)	456	450	456	450
Total	798	710	798	710
Earnings per share (Kwacha)	4.32	3.15		
Dividend per share (Kwacha)	1.75	1.56		
Number of ordinary shares in issue (millions)	456	456		
BALANCE SHEETS				
LIABILITIES & EQUITY				
Liability to depositors	25,433	23,257	25,440	23,015
Other liabilities	3,691	3,657	3,677	3,633
Equity attributable to equityholders of the parent company	6,524	5,376	6,522	5,251
Minority interest	7	6	-	-
Deferred taxation	21	148	20	145
TOTAL	35,676	32,444	35,659	32,044
ASSETS				
Cash and funds with Reserve Bank of Malawi	2,252	4,505	2,239	4,490
Treasury and Reserve Bank of Malawi bills	3,796	6,808	3,796	6,803
Government of Malawi Local Registered Stocks	1,207	1,219	1,207	1,219
Placements with other banks	5,798	3,932	5,798	3,925
Other investments	902	748	902	838
Loans and advances	16,551	10,646	16,551	10,129
Other assets	1,778	1,935	1,784	2,011
Fixed assets	3,392	2,651	3,382	2,629
TOTAL	35,676	32,444	35,659	32,044
Memorandum Items				
Contingent liabilities	4,735	3,245	4,735	3,245
STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period	5,376	4,518	5,251	4,444
Net profit for the period	1,969	1,435	2,065	1,413
Dividends paid	(798)	(710)	(798)	(710)
Revaluation surplus	-	101	-	101
Impairment on previously revalued assets	(74)	-	(74)	-
Deferred tax on previously revalued assets	76	-	76	-
Other movements (net)	(25)	32	2	3
As at end of period	6,524	5,376	6,522	5,251
CASH FLOW STATEMENTS				
Cash flows from operating activities				
Profit before tax	2,932	2,137	3,014	2,097
Adjustments for:				
Depreciation	368	252	365	243
Gain on winding up subsidiary	-	-	(97)	-
Profit on disposal of fixed assets	(5)	(6)	(4)	(6)
Dividends received	-	-	(14)	(9)
Reversal of impairment loss	(4)	(8)	(4)	(8)
Increase in operating assets	(6,062)	(2,961)	(6,649)	(2,880)
Increase in operating liabilities	2,428	6,054	2,692	6,074
Cash generated from operating activities	(343)	5,468	(697)	5,511
Tax paid	(826)	(645)	(820)	(632)
Net cash from operating activities	(1,169)	4,823	(1,517)	4,879
Net cash inflow from investing activities	1,134	1,226	1,402	1,231
Net cash used in financing activities	(801)	(714)	(797)	(710)
Movement in liquid assets	(836)	5,335	(912)	5,400
Liquid assets at beginning of the period	9,265	3,930	9,328	3,928
Liquid assets at end of the period	8,429	9,265	8,416	9,328

AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL BANK OF MALAWI AND ITS SUBSIDIARIES

We have audited the consolidated financial statements of National Bank of Malawi and its subsidiaries (the Group) for the year ended 31 December 2006 from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 29th March 2007 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which they were derived and our full audit report thereon.

Deloitte.
Public Accountants
Blantyre, Malawi

29 March 2007

PERFORMANCE

We are pleased to announce group pre-tax profits of K2,932m compared with K2,137m earned in 2005, representing a 37% increase.

This good performance was achieved in an economic environment which had mixed fortunes. The year 2006 began on a very low economic note, characterised by an overhang of the consequences of a severe food shortage carried forward from the previous growing season, and very low tobacco prices. Excess demand for foreign exchange to purchase maize during the first half of the year saw the building up of import backlogs, resulting into lower volumes than anticipated in our international trade business and underutilization of advances facilities. Economic growth prospects, however, improved remarkably immediately after harvest and during the third quarter when the nation met all conditions for debt relief which was granted. This was supplemented by significant foreign exchange inflows from donors. The economic turnaround had a positive effect on the Bank.

Several parameters which directly impact on our business model moved as a result of the improved economy. Interest margins narrowed following the reduction of the bank rate from 25% to 20% in the last quarter of the year. This, however, was more than compensated for by the reduction in the earlier part of 2006 of liquidity reserve requirement ratio from 27.5% to 20% and substantial increase in business volumes. The Bank registered satisfactory growth in its deposit base and significant growth in its lending portfolio, driven by the ongoing customer recruitment programme. In particular, following the strategic decision to incorporate the business of the former leasing subsidiary of the Bank into the mainstream banking operations, the segment was for the first time able to leverage on the Bank's balance sheet, which saw gross lease debtors grow by 106%.

In addition to the strong earnings performance, it is pleasing to note the satisfactory capital gain enjoyed by our shareholders. Opening at K21, the share price closed at K30, representing a 43% growth within the year. This is a manifestation of the public's confidence in the Bank's earning's potential exemplified by the outturn of 2006.

DIVIDEND

During the year the Bank paid an interim dividend of K342m (K0.75 per share). The Board has resolved to propose to the Annual General Meeting a final dividend amounting to K650m (2005 final: K456m) representing K1.42 per share (2005 final: K1.00), payable on 8th June 2007 to members whose names appear on the register as at the close of business on 18th May, 2007.

OUTLOOK

GDP is estimated to grow by over 5%. There are prospects for a good harvest and inflation is expected to be sustained at single digit levels, ingredients necessary for a relatively stable macroeconomic environment. This should signal further reductions in interest rate and liquidity reserve requirements.

The Bank is well equipped with the necessary resources and an ambitious strategic plan to stay on a sustainable growth path. Specifically, the Bank will take advantage of the positive economic developments and the improvement in the country risk profile while dealing with any challenges that may arise. All economic indicators point to 2007 being another year of strong performance.

BY ORDER OF THE BOARD



Dr. M.A.P. Chikaonda
Chairman



E.J. Kambalame
Director

29th March, 2007

Registered Office:
19 Victoria Avenue
Blantyre